

# FINANCIAL TIMES



Tourism in France

Living with bombs and the Bomb



Technology

Robots in the laboratorv Page 12



Sony & The Beatles

Money can buy you rights

Today's survey

Business in **Turkey** 

Pages 27-30

D8523A

### Volvo shares fall after drop in car division's profits

World Business Newspaper

Volvo shares dropped 4 per cent yesterday after Sweden's biggest manufacturer reported weaker-than-expected nine-month figures and a sharp than-expected nine-month figures and a sharp decline in its car division's profits. The pre-tax profits of SKr10.77bn (\$1.65n) were about SKr300m below forecasts and 15 per cent down on last year's SKr12.7bn when hefty capital gains from disposals were included. The shares, down SKr6 to SKr140.5, were undermined by lower operating profits at its car division and evidence of weaker truck demand in some markets. Lex. Page 16; Details. Page 18

Peso falls despite interest rate rise: Mexico's currency dropped to new lows against the dollar in spite of Tuesday'e 10 percentage points rise in domestic interest rates. Page 16

israel's security chief quits: The head of Israel's secret police protection unit resigned as the government appointed a commission of inquiry into how a Jewish gunman breached security to assassi-nate prime minister Yitzhak Rabin. Page 4

BA ordered to pay hostages: A French court ordered British Airways to pay a total of at least £3m (\$4.75m) damages to 61 French Gulf war hostages who accused the airline of knowing the Iraqi invasion of Kuwait had taken place before their aircraft landed there. BA plans to appeal, Page 3

Airbus Industrie, the European consortium, which is made up of British Aerospace, Aérospa-tiale of France, Germany's Daimler-Benz Aerospace, and Casa of Spain, wants board approval to build a bigger version of its A340 aircraft. Page 16

French bomb suspect charged: Rachid Ramda, 26, is due to appear in court in London today charged with conspiring to cause an explo-sion in France. Page 3; France puts tourism into economy class, Page 2

Nigeria confirms death sentences: On the eve of the Commonwealth summit, Nigeria confirmed death sentences on nine activists from the Ogoni minority area who were last week found guilty of alleged involvement in the murder of four leading local politicians. Page 4

**Siemens,** the German electronics group, raised net profits 26 per cent to DM2.08bn (\$1.49bn) for the year to end-September, after a strong turnround in its electronic components division. Sales were up 5 per cent to DM88.8bn. Page 18

S Korean opposition attacks probe:



South Korean opposition parties said the investigation of alleged contriers to former president Roh Tae-woo's shush fund was meant to distract public attention from allegations that President Kim Young-sam (left) used money from the fund to finance his

1992 election campaign. President Kim has denied personally receiving funds from Mr Roh, but has refused to disclose the sources of his campaign finances. Page 9

NTT to shed 45,000 staff: Japan's partially privatised telecommunications company, Nippon Telegraph and Telephone, plans to cut its workforce by 45,000, nearly a quarter of its staff, in a move to deflect political pressure for a break-up. Page 16 and Lex

Brussels agrees German aid package: The European Commission approved a controversial German government aid package aimed at enticing Dow Chemical of the US to buy the plant which was the centre of the former East Germany'e chemical industry. Page 2

US barrier to shipbuilding subsidies: The US emerged as the main stumbling block to the early phasing out of state aid to shipbuilders world-wide. The delay is due to a backlog of legislation in Congress and a dispute between Republicans and Democrats over shipbuilding policy. Page 8; Editorial Comment, Page 15

**Nows Corp earnings fall:** Third-quarter earnings from media tycoon Rupert Murdoch's News Corporation fell 5 per cent to \$210m. Strong performance from television and newspapers was more than offset by weakness in films, magazines and book publishing Page 21

Kicking their beels: Sweden's 60-strong anti-terrorist police force, set up a year ago, is threatened by boredom. Never deployed, its mem-bers are resigning or threatening to quit because they have too little to do, says a report.

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Likely relief for Clinton and Dole as retired general ends speculation

THURSDAY NOVEMBER 9 1995

### Powell turns down presidency bid for personal reasons

By Jurek Martin in Washington

Retired General Colin Powell yesterday ended months of politi-cal suspense by announcing that he had decided not to run for the US presidency in 1996. "Having looked deep into my

soul," the 57-year-old former head of the joint chiefs of staff told a news conference, he did not have "the passion and commitment" for politics that he had for his military career. "I still dn not hear the call," he said.

Family considerations and his own desire for privacy had been factors. To run for president would require "sacrifice and changes to all our lives".

He also ruled out running as anybody's vice presidential can-didate next year. "I understand the down and dirty of American politics - and that's the way it should be," he went on, "but it was just not appropriate for me at this time to seek the presi-

His decision certainly removes a great threat to the candidacy of Senator Bob Dole, the majority leader, for the Republican party's presidential nomination. It proba-bly also comes as a relief to Presi-

dent Bill Clinton.

National public opinion polls
have consistently shown the general was preferred to both. They also have Mr Clinton beating Mr Dole in an hypothetical straight contest. But Gen Powell's deliberations over the last twn weeks following rapturous receptions on the national tour promoting his recently published autobiography, have centred on both per-

USA poll.

sonal and practical political considerations. Mrs Alma Powell, his wife, had spoken publicly some weeks ago of the fears she had for her husband's safety should he become a presidential candidate. The assassination last Saturday of Mr Yitzhak Rabin, the Israeli prime minister, may have caused these concerns to come into sharper focus.

The prospect of a candidacy by Gen Powell, a self-described moderate in the "Rockefeller Republican" mnuld, had also excited much apposition from the influential party rightwing, which ralhed in Washington last week to promise a tough and divisive campaign should be decide to

enter the race.
Other considerations included campaign finance and organisation. As a Republican candidate, Gen Powell would have needed to generate \$15m-\$20m in campaign funds for the primaries alone, no easy task when individual contributions are limited by law to \$1,000 per person.

Several veterans of earlier Republican administrations had nffered their political services and Powell for president volun-teer groups had been springing up all over the country.

But that still left Gen Powell

with no real national organisatinn actually in place barely three months before the first state votes in Iowa and New Hampshire next February. A front-loaded primary season next year means that two-thirds of all delegates to the party convention



Colin Powell: ended months of national political suspens

### Yeltsin sacks governor of central bank

President Boris Yeltsin yesterday. sacked Mrs Tatiana Paramonova bank, raising doubts about the course of economic reform.

The departure of the interna-

tionally respected bank governor comes at a delicate time for Russia's economy. Parliament is continning to wrangle over next year's budget and the government is pursuing discussions with the International Monetary Fund over a possible three-year loan of \$12hn-\$15hn.

Next month's parliamentary elections have only beightened the political sensitivities surrounding economic policy. Some bankers suggested Mrs Paramo-nova was being sacrificed ahead of the elections to show how Mr Yeltsin was responsive to parliament's concerns over her tight

monetary policy.

Mr Yeltsin has been sharply critical of unpopular ministers, such as Mr Andrei Kozyrev, the foreign minister whom parlia-ment wants to remove. "This is a very disconcerting development

By Clive Cookson,

tivity from that area.

Glaxo Wellcome, the world's

largest drugs company, yesterday announced a far-reaching over-

haul of its research and develop-

ment, aimed at trebling produc

The target is to bring to market three financially important new medicines a year from 2000. In the past decade Glazo and Well-

come, the two UK companies that merged last spring, have man-

aged an average of just over one new drug a year between

The new R&D structure - the

final and most important element

of the "integration" process that

started in March when Glaxo succeeded in its £9bn bid for Wellcome - is a more radical

change than many observers had

expected.
Glazo Wellcome has reviewed

all 160 development projects in

the two companies and scrapped

almost 70 that did not meet its

Science Editor



Tatiana Paramonova: an internationally respected bank governor

because Mrs Paramonova had all the right instincts," one Moscowbased western economist said yesterday. "There has been talk of pressure on the government to spend and maybe that is why she went. If that is true then we are in for a rocky time." Mrs Paramo-nova was respected by the IMP but reviled by many Russian

focus on commercial potential

criteria which included satisfying

a medical need or carrying sufficient commercial potential.

It has also created a new struc-

ture for carrying out R&D that is quite different fram either Glazo's or Wellcome's before the

takeover.

"We saw the integration as an opportunity to change fundamentally the R&D organisation and

process," said Dr James Niedel,

The new organisation is world-

wide and also flatter, with the six

to eight layers of management typical in the old companies cut

to an average of four. Commer-

cial managers will help to decide

on research policies, which have

been carried out in isolation from

the sales and marketing depart-

CONTENTS

Int. Cap Mid

Glaxo Wellcome's combined

Starting up from scratch...

the R&D director.

Page 15

"Page 16

\_Page 21

Glaxo overhauls R&D to

Departure raises doubts on economic reform ahead of elections to Russian parliament

ful of government advisers and

bankers for pursuing a tight monetary policy since her appointment in October last year. Under her guidance, the central bank restored much of its battered credibility and helped steer the economy to within striking distance of stabilisation. This year, the monthly inflation rate has fallen from 17.8 per cent in January to 4.8 per cent last month and - since July - the

rouble has been held within a narrow exchange rate band. But parliamentary deputies, heavily influenced by the aggres-sive banking lubby, remained opposed to ber confirmation as permanent head and twice voted against her nomination. That left Mr Yeltsin with the option of persevering with a weakened Mrs Paramonnya as acting bead or

seeking a new candidate. The timing of yesterday's announcement raised questions over who helped Mr Yeltsin make

R&D staff bas been cut from 11,500 tn 9,700 wnrldwide, but

fears that the company would

slash its R&D budget in the drive

for cost savings turned out to be

Dr Niedel said research and

development spending would be held steady this year and next at about £1.2bn (\$1.9bn) a

The company is investing heavily in robotics and automa-

tion as it cuts staff. It is also

spending less money on its own

R&D facilities and more on exter-

nal collaborations with universi-

ties and small biotechnology

Long-term research will con-

tinue in all the main fields that

were being pursued by Glazo or Wellcome. The brain and pervous

system, anti-virals, heart disease

and stroke, cancer, and respira-

tory disorders feature heavily in

as a science-based, R&D-driven company," Dr Niedel said.

"We see ourselves unabashedly

the programme.

the decision. Since a heart attack the discredited bank governor put him in hospital last month, Mr Yeltsin has met only a handwho resigned in October 1994.

tary budget committee, described ministers, few of whom have any Mr Khandruvev as a 'monetarconnection with economic policy. ist" and predicted no change of policy. Likely candidates in Mr Alexander Khandruyev was appointed as acting governor replace Mrs Paramonova include Mr Sergei Dubinin, the former until a permanent replacement could be found. Currently the bank's first deputy chairman, Mr Khandruyev is a lnng-serving finance minister who now works at Gazprom, the gas producer, bank official but has a mixed repand Mr Alexander Livshits, a utation in financial circles because of his close association with Mr Victor Gerashchenkn, presidential economic aide.

Editorial Comment, Page 15

Mr Alexander Pochinok, dep-

uty chairman of the parliamen-

### Radical reform of **EU** ruled out by advisers

By Lionel Barber in Brusseld

The blgb-level group nf European Union experts preparing next year's inter-governmen-tal conference bas abandoned bupe of recommending far-

reaching institutional reforms. The move is a sethack for Ger-many, which had hoped for big changes in EU decision-making to pave the way fir enlargement to eastern Europe and a total membership of 25-30 countries. The panel of experts, called the Reflection Group, is expected to canclinde that nuly modest changes to the Maastricht treaty

The panel's emerging consensus should provide some relief to Mr John Majnr, the British prime minister, who is under pressure from Eurosceptics in

his Conservative party. The cantimus approach to the conference is being driven by worries about public opinium in the 15 member states and treaty ratification problems. It is also affected by unease about passing judgment on Maastricht, which has been operating for only two years, and uncertainty over whether European monetary union will go ahead in 1999.

Another factor is the argument put forward by France that since Emu will be restricted initially to a small group, it is sensible to delay radical political arrangements. If Emn does not take place, further pooling of sovereignty may not be necessary.

Some Reflection Group mem-

bers expressed disappointment are in a pre-Maastricht situation.
Nothing is happening," said one.
Another said an interim report
by Mr Carlos Westendurp, the
senior Spanish diplomat chairing the group, was "bnlinw". Mr Westendorp is to submit a draft of his final report to colleagues soon, and is said to be frustrated by the tight leash imposed by national governments.

Spanish officials point to several likely practical recommendations which will make the EU work more effectively:

 Rearranging the weighting of votes between smaller and larger

Continued on Page 16

### THE SECOND

Applications have been accepted from institutional investors in

£75,000,000

(the maximum permitted under the terms of the Offering Memorandum)

The fund has been established to continue the work of The Causeway Smaller Quoted Companies Fund in assisting smaller

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LONDON - LIEDS - PARIS - FRANKFRET - STOCKHOLM - NEW YORK - LOS ANGELES - TOKYO

Reshuffled French cabinet sets priorities

Chirac stresses welfare

reform in deficits drive

Trade unions have express

The government is seeking

to enact measures to take

effect from the beginning of next year with the aim of

Union leaders gave a mea-

enlarged social welfare minis-

try covering labour, health and

Mr Marc Blondel, head of

Force Ouvrière, one of France's

biggest unions, said he was sat-

isfied with the creation of a single ministry. Although Mr Barrot emphasised the need for

unpopular measures.

National Assembly.

### **US-Russian deal on Bosnia troops**

By Bernard Gray, Defence Correspondent

The US and Russia have agreed that Russian troops will participate in the peacekeeping force for Bosnia, but will not be under Nato control.

The agreement resolves weeks of dip-lomatic wrangling. Moscow has argued that its troops cannot come under Nato control, while the alliance has insisted on having full command of the opera-

It has now been decided that the general leading Russia's peacekeeping con-tingent will come under the command of General George Joulwan in his role

By Peter Norman in Bonn

To Mr Theo Waigel, the Bonn

finance minister, Germany's trading capital tax is a "fossil"

and a "job killer" thet should

be ecrepped as eoon as

But this week he had to bury his hopes of killing off the levy

at the beginning of next year

and was forced to postpone its abolition until 1997 at the

Mr Waigel's retreat was not

connected with the parlous

state of the German govern-ment's finances or the need to

plng gaps in the budget for

next year. Instead, his plan for

an early scrapping of the unpopular tax became

ensnared in the complexities of

Germany's federal system, where the federal states, local

authorities and the opposition

Social Democrats (SPD) - by

virtue of their party's control of the Bundesrat, Germany's

second chamber - all have a

The trading capital tax exists

only in Germany and Luxem-

bourg and is levled on a com-

pany's value even when it makes a loss. Its abolition has been high on the wish-list of

business lobbies for many

years. It costs businesses

DM6.8bn (\$4.9bn) a year,

according to the DIHT, the umbrella organisation of the

German chambers of industry

By Judy Dempsey in Berlin

The Germen Planning Ministry is to press for out-of-

town shopping centres to be

excluded from the country's

new extended shopping hours,

to protect inner cities.

would save companies only time for 1996.

say in tax policy.

and commerce.

'Job killer'

tax remains

Bonn burden

rise in corporate profits trig-

gered by the elimination of the

tax would cause other taxes to

increase. But in recent weeks.

the tax has come to symbolise

the heavy burden of taxes and

other levies placed on German

industry and commerce.
For business leaders such as

Mr Franz Schoser, the chief

executive of the DIHT, the gov-

ernment's inability to remove the tax in the coming months is a sign that its rhetoric about

improving Germany as a place

to do business lacks substance.

Mr Waigel's hopes this week were dashed by the SPD, which

argued that the trading capital

tax was paid by only 16 per cent of companies and that a

better way of easing the costs

imposed on businesses would

be reduce social security pay-ments, making up for these by

The finance minister rejected

this approach, partly because the subject of making the tax system meet ecological objec-

tives is still one of beated

debate within the centre-right

But even if the SPD had been

more co-operative, it is

unlikely that the tax could have been scrapped this year.

Some 80 per cent of its reve-

nues accrue to local authorities

and, according to Mr Jochen

Dieckmann, the general man-ager of association of German cities, the necessary legislation

would have been "much too

Mr Klaus Töpfer, planning and construction minister, is

arguing that longer shopping

bours can help revitalise east-

ern Germany's inner cities,

which heve failed to attract

investment, and have been hit

by hnge centres built since

Сору, сору, сору, сору, сору, сору, сору,

сору, сору, сору, сору, сору, сору, сору,

сору, сору, сору, сору, сору, сору, сору,

coalition in Bonn.

an increase in energy taxes.

rather than in his role as supreme commander of Nato forces.

The agreement has thus reached the surprising result that Russia would rather have its forces commanded by a US general than a Nato chief. The accord followed a meeting between Mr William Perry, tha US defence secre-tary, and General Pavel Grachev, his Russian counterpart, at Nato headquarters in Brussels yesterday.

Details of how the troops are to be integrated remain to be worked out, as does the issue of how political control of the force will be bandled. Mr Perry and Gen Grachev are scheduled to meet again in two weeks' time to discuss these issues. Speaking after the meet-

ing, Gen Grachev said that "all Russian conditions have been met. Our forces will contribute, but Russian forces will not come under Nato command". He acknowledged, however, that a Russian general would serve as a deputy to General Joulwan, "through whom orders to Russian troops will be

Emphasising the fine line which has been drawn, Mr Perry said that "this preserves the unity of the command, but does not require Russian forces to be under Nato command".

No details were given of the number of Russian troops which would be com-mitted to Bosnia. A significant Russian

Chancellor Helmut Kohl reacting to a speech during the budget

local authorities should be tax changes that Mr Waigel

compensated for revenue wants to make, many of which

this week's postponement. But eral states, nobody is banking

are intended to ease the bur-

den on business and so encourage investment and employ-

In this week's Bundestag

debate on the 1996 federal bud-get, Mr Waigel said that the

wealth tax should be scrapped.

But as the revenues from

the law could be drafted in

such a way. The inner cities in

the former east Germany con-

tinne to be unattractive to

ture and are saddled with

thousands of ontstanding

property rights claims - only

about half of the 2.5m claims

on 2.1m property titles in east-

ern Germany have been

sations are also active in the

cities, insisting that new sbops and businesses be

designed to fit in with

centuries-old architecture and

retelling investment had

deprived east German cities of

eales tax revenues, which

could bave been used to

Furthermore, the lack of

solved.

They have poor infrastruc-

losses by being given a share from value added tax. But this

will in turn require negotia-

tions between the federal gov-

ernment, the state authorities

and the representatives of the

If the trading capital tax

s concern abou

were an isolated case, there

1990 by west German retail-ing groups on the edge of the

cities where land was cheap,

property rights clear and plan-

This proposal will be

resisted by the Economics Min-

istry, which insisted yesterday

that all shops everywhere

would bave the same rights

following the agreement ear-

lier this week among the gov-

erning coalition to allow shops

to stay open until 8pm on

weekdays and 4pm on Satur-

days. "Mr Töpfer wants to revital-

ise the inner cities [particn-

larly in eastern Germany). He believes that introducing dif-

ferent shopping hours, to the

advantage of the cities, would

be one way to make them

more attractive to investors."

ning restrictions minimal.

municipalities.

Shop hours – no open and shut case

It has been proposed that the it is just the first of a series of on a rapid decision.

tant to securing the co-operation of the Bosnian Serbs in the implementation of any peace agreement.

Nato's insistence on having complete control of any Bosnian peacekeeping force follows the difficulties with the cumbersome UN command structure which has often made the existing force slow to react and ineffective.

However, Russia has been deeply concerned about the proposed expan-sion of Nato into central and eastern Europe. As a result, Moscow has been at pains to avoid the political embarrassment of its soldiers being commanded by a former enemy which seems to be encroaching on traditional

### Germans close to telecom

The German government and the opposition Social Democrats (SPD) were last night expected to resolve their remaining differences about a liberalised telecoms market after 1998, ending weeks of talks during which the SPD has given way on a series of questions including regulation and licensing.

The government wants the

The opposition has also agreed to allow new operators first refusal of licences for Digital European Cordless Tele-phony or DECT, a new technology which enables operators to bridge the gap between bousework buried in the street outside. Initially only three DECT licences are likely to be avail-able. Deutsche Telekom bas insisted on equal access to new technologies such as DECT and had hoped the SPD would defend its interests because of close links between the party and the company's unionised

It has also been agreed that apply to provide services just

telecoms specialist, said no figure had been decided to define a dominant market share for party wants the future regulator to review the telecoms market every four years to decide whether rule changes are

### accord on rules

Dentsche Telekom's new competitors will be allowed to for one city or nationwide.

Talks were going on last night on how soon those seeking nationwide licences would have to offer nationwide coverage. Tha SPD has suggested the bigger companies wanting to provide telecoms services such as electricity utilities should have to provide nationwide coverage after four years of liberalisation.

Mr Arne Börnsen, an SPD

#### ment, which is the main objec-tive, if one doesn't fight seri-ously against deficits and debts," said the Gaullist president. Mr Jacques Barrot, who was appointed as minister for social affairs in the reshuffle, pledged structural reforms to the state welfare system. "If we just increased contributions to fill in the holes then we would not get anywhere,"

Agreement would enable the two sides to present a new law,

which is being reviewed by ministries, to parliament together in January, ensuring a quicker passage of the legis-

legislation to clear parliament by next July, then plans to award licences so that companies can prepare for full-scale liberalisation in the world's third biggest telecoms market early in 1998.

The SPD has given way to government proposals that Deutsche Telekom, the current monopolist, be subject to stricter regulation based on models used in the UK and other liberalised telecoms mar-

France's standing as tha world's most popular tourist destination is in jeopardy. While the global market for tourism continues to grow rapidly. France has seen the number of boliday-makers remain unchanged for three years.

vaded the sharpened knives of deputles in the National Assembly, who are seeking FFr2bn (\$.410m) in public expenditure cuts for the 1996 budget and had been eyeing her allocation of FFr383.2m. Officials stress the decision

little to do with her abilities

Water Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in Loudon by David C.M. Bell, Chairman, and Alen C. Müller, Deputy Chairman. Shureholders of the Financial Times (Europe) CmbH are: The Financial Times (Europe) Ltd. London and F.T. (Germany Advertising) Ltd. London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SEI 9HL. GERMANY:

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would consider implementing spending cuts to balance the social security accounts, the reforms through decrees, a government appears to be leanstep which would speed the ing towards a rise in the CSG. process and ease the passage of an income tax, to finance accumulated deficits in the welfare system. The increase may take opposition to welfare reforms. the form of a broadening of the calling a day of action next scope of the tax and/or a rise in week to coincide with the social security debate in the its rate.

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Danish interest rates

The balance between spending cuts and increased taxes in the welfare measures due to be inveiled next week is regarded as vital in determining the pace of interest rate cuts.

satisfying the Maastricht crite-The Bank of France, which ria for European monetary has welcomed Mr Chirac's strengthened emphasis on defi-These criteria require that cit reduction, yesterday steered public deficits are a maximum of 3 per cent of GDP, compared call money rates lower, fuel-ling expectations it might take with about 5 per cent forecast for France this year. a further step in cutting official interest rates as early as sured response to the new cabi-net and the creation of an

Lower interest rates are needed to stimulate France's slowing economy. But Mr Alain Lamassoure, the newly appointed government spokesman and budget minister, said yesterday that future cuts would depend on building confidence among domestic and international investors

French tourism: under threat

By John Ridding in Paris

France's new government

yesterday set out a tough

stance on tackling the coun-

try's deficits, emphasising the need for spending cuts to elimi-

nate the FFr60bn (\$12.3bn)

shortfall in the social security

Addressing the first meeting

of the new cabinet after Tues-

day's government reshuffle.

President Jacques Chirac said

cutting France's deficits was at the centre of the battle against

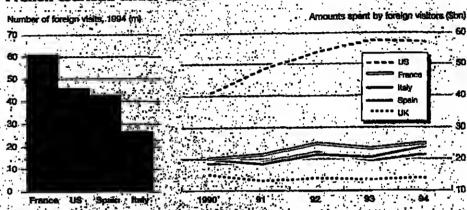
unemployment.
"One cannot fight unemploy-

The social affairs minister

added that the government of Prime Minister Alain Juppé

accounts.

Mr Barrot said.



### France puts tourism into economy class

dent Jacques Chirac's contro-

versial decielon to restart

nuclear testing, writes Andrew

Jack. Ms Francoise de Pana-

By Andrew Jack in Paris

rance's tourism indus-try, already burdened the South Pacific fell by nearly dent Jacques Chirac's decision to relaunch nuclear testing in the Sonth Pacific and the bombing campaign associated with the crisis in Algeria, bas been further weakened by the cabinet reshuffle on Tuesday.

Members of the industry have long been worried that

But rather than boosting its efforts, the government of Mr Alain Juppé has decided to subsume the tourism ministry into one encompassing infrastructure, housing and trans-port. And it is almost certain that the money allocated to it will be cut.

Out of office goes Ms Fran-çoise de Panafieu, former cultural affairs assistant to Mr Chirac in his role as mayor of Paris, who was rewarded after his victory in the presidential campaign with her own ministry of tourism.

As recently as Monday she to remove Ms de Panafieu had

fieu, the former minister of tourism who lost her job in a government reshuffle on Tuesday, said the number of visitors had fallen by about 15,000, largely because of anti-nuclear boycotts by Japanese and more to do with a need to

streamline the operations of government. This has happened at a time when tourism has been hit by the strength of the franc, particularly when other European countries are still suffering the effects of the economic downturn.

In addition, because of the terrorist campaign there has been a "slight" reduction in the number of tourists - particularly from Germany and the US - coming to France. France remains tha world'e

leading tourist destination. according to figures from the Organisation for Economic Co-operation and Development ee chart above). Tourists from other countries spent \$25bn in France in 1994, but it remained in second place on this score behind the US.

where they spent \$57bn.
This is partly explained by the fact that most visits to France are of short duration, with most tourists coming from neighbouring European countries - notably Germany,

the UK, Belgium and the The number of tourists Netherlands - in many cases visiting French territories in for just a few days. Until now, France's positive

by the traditional reluctance of French citizens to travel ebroad. Four out of five of them had their holiday in France this year. In many ways, tourism

remains a bright spot in the economy. Last year, there was a net surplus from tourism of about FFr60bn, and the sector contributed some 9.1 per cent to gross domestic product, provided 2m jobs and supported about 200,000 companie

France received 61.4m tourist trips in 1994 compared with 46.4m for the US. its nearest rival, and 43.2m for Spain.

But being a world leader has brought with it complacency. As Ms de Panafieu put it, even before she lost her job: "A decade ago France did a lot of promotion abroad. Since then it has rested on its laurels. If the situation continues, we will be surpassed by Spain and One of the things Ms de

Panafieu did was to launch the "Bonjour" campaign, to improve friendliness and helpfulness for visitors, starting with training taxi drivers. "Wa are almost perfect in France, but we have a few faults," she said.

"We are not renowned for being welcoming. France is considered the most beautiful country, but it is not adequately selling itself. Even the most attractive girl needs a bit of make-up to seduce," she

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#### a ministry official said. She added that the ministry improve the infrastructure or had the backing of the DIHT, reduce their deficits. Germany's industry and trade East Germany's local association, but would have to authorities' deficits last year seek legal advice on whether totalled DM23bn (\$16.3bn). **Employers doubt EU** forecasts of growth

Europe's employers' federation, Unica, has cast doubt on the EU Commission's optimistic forecasts for economic growth and cuts in slower economic expansion

In its bi-annual economic report. Unice implicitly criticises the EU Commission's analysis that, under certain conditions including sustained 3.5 per cent economic growth, the EU's 10.7 per cent jobless rate can be halved by the year

"Unice, unlike certain European institutions, takes a more qualified view of the prospects for sustainable and employment-creating growth" it says; the economic recovery during 1995 may yet turn out to be 'short-lived, weak and fragile". A pause or slowdown in eco-

is stagnating et high levels". Unice predicts a "mod of economic growth in the EU next year, due to weak private consumption and weaker productive investment growth. This year growth is likely to unemployment and predicts average 2.5-3 per cent, near the level recorded in 1994.

"If we bave 2 per cent growth it will not make much impact on the high levels of unemployment," Mr Zygmunt Tyszkiewicz, Unice'e secretarygeneral, said. Unice had "never been happy" about putting targets on job creation. The report says EU employ-

ment growth has been lower than forecast. Despite economic growth, unemployment reduction bas been limited. highlighting the need for more labour market flexibility, a cut in non-wage labour costs and improved training.

ment as a percentage of GDP is

sion'e over-optimistic vision". The Commission's assertion that evidence is growing of reforms to social security systems and laboor markets is "Evidence of structural

changes is thin. There is e real need for more flexibility in the market in general and the labour market in particular," Mr Tyszkiewicz said. The report calls on member states to keep restrictive budgetary policies in line with criteria for entry into the European monetary union. They should target spending on public and social security protection, while trimming public sectors. Unemployment benefit

systems should be overhauled to encourage re-integration and transition to work"; tax reforms should aim to cut nonwage labour costs. The evidence so far, the report says, is that the 1996 draft budgets nomic growth in most member "still below the last cyclical already presented by states is "making it hard to peak of 1989-1990", which states "seem insufficient". already presented by some EUROPEAN NEWS DIGEST

### French order BA to pay up

A French court yesterday ordered British Airways to pay compensation to 61 passengers who were held hostage in Kuwait after a BA aircraft landed there shortly after the Iraqi invasion in 1990. The court ruled that each passenger should receive between FFr400,000 (\$82,000) and FFr600,000 (\$128,000), depending on how much time they spent in captivity in Kuwait. The airline was also ordered to pay FFr60,000 to each close relative of the former hostages. BA described the decision as "extraordinary" and said it would file an appeal

The court ruled that BA was liable because "the invasion of Kuwait by Iraq seemed highly predictable" and the airline had "seriously failed in its duties" by landing in Kuwait. Judge Pierre Renard-Payen said tha truth of the allegation by Pierre Renard-Payen said tha truth of the allegation by passengers that SAS troops were on the aircraft "could not be legally established". However, citing several international newspaper articles from the time, he said that reports of the situation in the Gulf had been "particularly alarming".

The 61 passengers, who are French or residents of France, were among 364 people on the flight. Similar actions against the airline have failed in the English, Scottish and US

courts. Michael Skapinker, London, and Andrew Jack, Paris

#### Brussels move on satellites

The European Commission is proposing a harmonised EU-wide licensing regime for the range of satellite systems being developed in the personal mobile telecommunications industry, it said yesterday. The intention is to ensure that use of the European radio frequency spectrum fits in with that elsewhere in the world, such as the US, where such licences have already been issued. "A European approach for licensing is urgently needed in order to use the limited frequency resource most efficiently and to strengthen the combined

European position on this matter," it said. A Commission spokesman said member states had already been consulted and favoured an EU-wide system managed by Brussels which could be set up by mid-1996. The Commission hopes that over a three-year period it can select satellite and satellite link operators, set common conditions for issuing licences, and establish a dialogue with regulators outside

#### Ruling imminent on Schneiders

The long-delayed extradition hearing for German property magnate Mr Jürgen Schneider and his wife Claudia opened in Miami yesterday. Mr Schneider and his wife are being sought by German authorities in connection with the biggest property collapse in post-war German history. In testimony before Judge William Turnoff, defence witness argued that none of the charges brought by the Germann authorities would meet the standard for prosecution in a US court. Under the extradition treaty between the US and Germany It must be shown that the crimes the Schneiders are alleged to have committed in Germany would be crimes in the US.

The Schneiders' defence lawyer, Mr Michael Lacher, argued in an opening statement that the documents presented in support of the extradition request were incomplete and that the lack of these documents cast "grave doubt" about German compliance with the extradition treaty. However, Judge Turnoff ruled that the German documents had met the requirements of the treaty. A ruling on the extradition request is expected shortly after the hearing concludes early this

#### Spain overhauls penal code

The Spanish parliament yesterday passed a new penal code, the most thorough overhaul of the country's criminal justice laws for more than a century. The "code of democrac considered the most important step in updating Spain's legal system since the post-Franco constitution of 1978, received support from all parties in the Congress except the conservative Popular party, winch abstained.

For Mr Felipe González's limping Socialist government, introduction of the new code was a crucial chance to demonstrate its capacity to continue governing despite the loss of solid parliamentary allies and its embarrassing defeat last month over the 1996 budget.

Newly included in the code, which is the fruit of years of negotiation among political parties, are tighter measures against corruption and money laundering and offences such as sexual harassment and environmental crimes. The code also sets a new scale of sentences - in most circumstances up to 20 years in jail - equivalent to the maximum time currently served in practice. Provisions are made for replacing short sentences with fines, weekends in prison, and community service. Socialist spokesmen rejected claims by the Popular party that the measures would mean letting out 13,000 inmates, and put the likely number of releases at closer

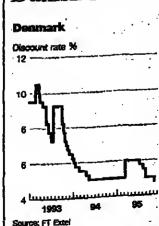
#### Hungary to free forint

The Hungarian parliament has passed legislation which will make the forint fully convertible for current account transactions from January 1. The move is a condition for membership of the Organisation of Economic Co-operation and Development, which Hungary hopes to join by the middle of next year. The Czech Republic is expected to be the first former east bloc country to join the OBCD, which groups the world's industrialised nations

The new legislation greatly liberalises the foreign exchange regime, enabling both Hungarians and foreigners to exchange forints for foreign currencies for any current account transactions. However, several restrictions still remain. Hungarians, for example, will still be limited to the exchange of \$800 a year for tourism abroad, but for the first time will be able to use forint-denominated credit cards when travelling overseas. Some cross-border financial transactions, such as the purchase of securities except equities, will still require central bank approval. This is to prevent the country from being flooded by speculative capital which could be withdrawn at short notice, undermining confidence in the

ECONOMIC WATCH

#### Danish interest rates fall



Denmark's central bank yesterday reduced its official discount rate from 5 per cent to 4.75 with effect from today. It is the first time since 1959 that the rate has fallen below 5 per cent. The bank said it had acted against the background of a stable krone exchange rate and a European tendency towards lower interest rates. Mrs Marianne Jelved, economy minister, hailed the cut as a very satisfactory development. The repo rate will also be reduced to 5.15 from 5.3 per cent from today;

and the rate for certificates of deposit by a similar amount from tomorrow. The krone has

strengthened gradually to 3.876 against the D-Mark from 3.9 in midsummer and 4.054 after currency turbulence in March. It is now back to its level before the collapse of the exchange rate mechanism in August 1993.

Hilary Barnes, Copenhagen

German M3 money aupply grew at an annualised rate of 1.6 per cent in September and at a non-annualised rate of 1.3 per cent from the fourth quarter of 1994, the Bundesbank said. Provisional September figures released last month had shown 1.5 per cent and 1.3 per cent respectively.

**NEWS:** EUROPE

### Duisenberg forecasts adoption of money supply targets and minimum reserves for commercial banks

### Dutch push German line on Emu policy

By Andrew Fisher in Frankfurt

Monetary policy in the planned European monetary union is likely to follow the German model closely in order to help bolster Emu's credibility, according to Mr Wim Duisenberg, president of the Dutch central bank

This would be especially important in helping convince peopla in Germany - where polls have shown widespread opposition to giving up the D-Mark - of the strength of the proposed new Euro-currency,

Adopting money supply tar-

gets and monetary instruments pean monetary system. The similar to those in Germany would be necessary for the credibility of the planned European central bank, he told journalists this week. His comments are likely to

disappoint those, such as the British, who favour inflation rate targeting. He thought it "very probable" that money supply targets would be used and "very very

please the Bundesbank, but

probable" that minimum reserves (requiring commercial banks to deposit a portion of their funds with the central bank) would be part of a Euro-

same would apply to Lombard and discount rates, which set upper and lower limits for German money market rates and form a key element in the Bundesbank's stability-oriented policies.

Mr Duisenberg was speaking after a meeting of the council of the European Monetary Institute, forerunner of a European central bank. He said the EMI's recommendations on how Emu should be introduced and on the transitional arrangements for the new currency would be announced in Frankfurt next Tuesday.

national central banks and commercial banks would be in the new Euro-currency, he said. "But private banks canoot suddenly switch their whole accounting systems to

the new currency. Thus, central banks would initially provide conversion facilities, so that some banks could still carry on normal dealings in the national cur-rency while refinancing transactions with central banks would be in the Euro-currency. This would last about three years until new notes and

At the start of Emu, money coins were introduced to the market transactions between public around 2002. public around 2002. Mr Duiaenberg arguad against a delay in the Emu starting date of 1999 laid down in the Maastricht treaty. If you postpone it, you reduce the

pressure for convergence," he The treaty prescribes debt, budget deficit, inflation and other criteria for Emu member ship. Acknowledging that Italy was unlikely to meet all of these and that France would have difficulty on the budget out Italy, but I don't believe it

in Bonn yesterday by Chancellor Helmut Kohl, who told parliament that launching a single currency without France would be impossible.

Mr Duisenberg said Emu was likely to consist initially of Germany, France, the Netherlands, Belgium, Luxembourg and Austria. Noting that the treaty allowed a country to be assessed as meeting the crite-ria if its economic performance was moving consistently in the right direction, he said France should be able to join by "a political judgment".

### Aid for east German chemicals plant approved

By Emme Tucker in Brussels and Judy Dempsey in Berlin

controversial German government aid package designed to entice Dow Chemical of the US to buy the plant which was the centre of the former east German's chemical industry was yesterday approved by the European

Brussels lifted objections to atate aid worth DM9.5bn (\$6.83bm) to the Buns group,

arguing that the aid would return the company to viabil-ity through extensive restructuring. The aid to the former east German chemicals giant -amounting to DM3m per job is the higgest subsidy ever granted to a German enter-

Mr Reihnard Höppner, state premier of Saxony-Anhalt where the group's Buna. Leuna and Böhlen giant chemicals complex is located, yesterday welcomed the deci-

sion by the Commission.
"Buna now has a future."
said Mr Höppner, whose ministers lobbied Brussels and the German finance ministry to push through the subsidies. The Buna complex was the centre of the east German chemical industry before unification in 1990.

Aid was granted on condition that: • DM966m of aid, intended to subsidise energy prices during and after the restructuring

period, should not be paid.

• DM344-5m of aid intended to compensate remaining structural disadvantages in operating the plants after the restructuring was completed. should not be granted.

• A scheduled investment of DM212m for a particular plant had to be excluded from the

restructuring plan. The Commission argued that it would secure 2.000 jobs in Bung and contribute to maintaining and even creating

related activities. It pointed out thet several other local plex. Until 1989, more than 25,000 were employed at the

Bung represents the last of the big state run industrial complexes of former east Germany to be sold off. ■ The European Commission has decided to drop its investi-

gation of a joint venture between Unisource, the pan-

European telecoms company, and Telefonica de Espana. Bnt Brussels' competition anthority said they would continne to scrutinise the deal to ensure it did not harm competition. Unisource is jointly owned by PTT Telecom of the Netherlands Swiss Telecom Ptt and Sweden's Telia AB. Under the proposed joint ven-ture Telefonica will be the

fourth partner in Unisonrce

International, a recently cre-

ated joint venture.

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### Troika likely to help fill Rabin void

Three men will be central to Labour's peace and election efforts, writes Julian Ozanne

n the Israeli government shake-up forced by the assassination of Prime Minister Mr Yitzhak Rabin. power is expected to be consolidated in a troike under Mr Shimon Peres, the acting prime

Complex coalition and internal Labour party negotiations are under way, but it is almost certain that three men, who represent Israel's younger generation, will be promoted to fill the political and security void left by Mr Rabin's death.

Mr Haim Ramon, chairman of the Histadrut trade union federation, Mr Yossi Beilin. economics minister and Mr Ehud Barak, interior minister are considered critical to bolstering the government in the run-up to elections in October

Mr Ramon, 45, and Mr Beilin, 46, have built their political careers around support for the peace process. As the leaders of the dovish "Group of Eight" inside the Labour party, they played an important part in pulling the leadership of Mr Rabin and Mr Peres towards a more radical peace policy before the 1992 elections.



Barak: tough on security

their part to speed up the pro-cess will be counter-balanced by Mr Barak, the 53-year-old former army chief of staff, who is staunchly on the right of the party and is considered to be

tough on security. Mr Barak, who is likely to be appointed defence minister, has said Israel must keep a security presence on the occupied Golan Heights, even in the event of a peace agreement with Syria. And, in his first cabinet vote earlier this year on Mr Peres's negotiating posi-tion for talks with Palestinians efore the 1992 elections. on Israeli troop redeployment However, a likely desire on in the West Bank, he abstained

because he thought Israel was conceding too much too soon. Mr Peres suffers an image problem. He is viewed as a visionary" too willing to surrender Israel's security in a rush towards peace with Arabs and the creation of a "new Mid-By contrast, Mr Barak has

spent 35 years as a career soldier and is regarded as pragmatic and security-conscious and fully aware of the military and security implications of any territorial compromise. Ha is popular with Israel's generals and is respected by the right wing. He is one of the few Labour party leaders capable of engaging the militant Jewish settlers in a dialogue As such he is seen as best

able to fill Mr Rabin's shoes and capable of winning the support of a sceptical public nervous about security. His critical to attracting the votes of the political centre, which will decide the next elections. In social and economic pol-icy, the arrival of the younger

generation is likely to push the party further towards a "New Labour" philosophy of eco-

driving force of the Group of Eight and commands support on the left. His growing political importance was recognised the political centre. He earlier this year when he was minister last year when Mr Rabin and the Histadrut promoted from deputy foreign minister to the cabinet as economics minister.

After having been involved in the peace process he is the natural choice for foreign minister if Mr Peres chooses to give up the portfolio. Alternatively he could replace Mr Barak as interior minister.

How the changes are put together will depend on negotiations in the days ahead. First, if Mr Peres can broaden his coalition by including an orthodox religious party he will have to surrender at least one cabinet place as the price.

Second, he is believed to be determined not to promote anybody who will challenge Mr Beilin has none of the national political standing of him for the Labour party leadership next year. Mr Barak has already said he will not com-pete against Mr Peres. If Mr Ramon makes the same pledge, He is not a populist like Mr Ramon and is considered far to a move being urged on him by fellow members of the Group the peace process. He has backed an independent Palestinian atate. In politics since of Eight, the way will be clear for what many Labour party members see as the construc-But he is the intellectual



Ken Wiwa, son of condemned Nigerian minority rights activist Ken Saro-Wiwa, in Anckland

### Death sentences defy Commonwealth hopes

Nigeria's military regims yesterday flung down the gauntlet on the eve of the Commonwealth summit, when it confirmed death sentences on nine activists from the Ogoni minority area.

The news shocked and astonished officials in Auckland, New Zealand, who had been hoping the sentences would be commuted. The officials do not rule out a last-minute intervention by General Sani Abacha, Nigeria'a leader, before the official opening of the conference tomorrow.

If there is no such mova. however, one Commonwealth delegate warned, "the pressure for tough action, including possible suspension and some form of sanctions, will become

almost irresistible". The Ogoni case is watched closely abroad as a result of concerns over Nigeria's human rights record and a faltering programma for a return to emocratic rule. "This is a case of murder and

we accepted in totality the pronouncement and the verdict of the tribunal, and that is that those who were convicted should die by hanging," Brigadier-General Sam Malu, commander of the army's 82nd division, told reporters after the council's meeting.
The nine, including writer

Ken Saro-Wiwa, president of the Movement for the Survival of Ogoni Peoples (Mosop), were found guilty last week by a tribunal of the murder of four pro-government chiefs in the volatile oil-producing area.

Gen Malu did not say when the sentences would be carried out. "The PRC [Provisional Ruling Council] unanimously agreed and accepted the verdict of the tribunal," Gen Malu said. "We have gone through the papers in detail and we are completely satisfied with both the constitution of the tribunal, the outcome and the whole conduct of the tribunal."

The Ogoni case has also focused attention on environmental concerns for Nigeria's oil-producing areas.

All 14 people tried on the murder charges are members of Mosop, which has cam-paigned for self-determination for the 500,000 Ogoni people and for the protection of their land, where Anglo-Dutch giant Shell is the main oil producer.

### Security chief quits as third suspect held

The head of Israel's Shin Bet secret police protection unit resigned yesterday as the government appointed a commission of inquiry into how a Jewish gunman breached security to assassinate Prime Minister

The resignation further dam-

security reputation and came as police arrested a third suspect in Saturday's assassination, Israeli officials said another senior security official had been dismissed and at least two others suspended as preliminary investigations pointed towards a huge security lapse at the peace rally in

shot dead by Yigal Amir, a rightwing fanatic.

Attorney General Michael assassin might inspire more killings by Jewish extremists. Heralding what many Israelis expect will be a substantial crackdown on rightwing extremist groups and freedom

"There is a serious danger of a grave disruption of the rule of order - up to the point of another political murder."

Mr Ramon is also seen as

important to Labour's bid for

resigned his position as health

refused to back his health bill

which promised to break the

link between compulsory

Histadrut membership and the

He than quit the Labour

party before being swept to

power as Histadrut chairman

on an independent list which

defeated old-guard Labour for

the first time in the federa-

Mr Ramon is expected to

rejoin the Labour party next week, either as foreign or inte-

rior minister or deputy prime

minister with responsibility for

either Mr Ramon or Mr Barak.

the left of Israel's consensus on

1977, he has spent his career

working with Mr Peres.

economic and social policy

tion's 78-year history.

health service.

Police are investigating whether Yigal Amir, 25, and his brother Hagai, 27, also remanded for the murder, were part of a wider extreme rightwing conspiracy to assassinate

All suspects are so far linked to a shadowy group called Eyal an acronym for the Jewish Fighting Organisation - an extremist splinter group which broke away from the banned Kach movement led by racist rabbl Meir Kahane who was gunned down in 1990.



When Commonwealth leaders

open their summit in Auckland tomorrow, the warm welcome that awaits Nelson Mandela on his first appearance will soon give way to issues as serious as any the association has faced. Deciding how to deal with the military regime in Nigeria

will test its commitment to human rights and democracy. And the dispute over French nuclear testing in the Pacific is likely to expose a geo-political fault line that could gravely

weaken the Commonwealth. Australia and New Zealand will be leading demands that fallow members condemn France. Britain has made clear it will oppose the move, seen here as a decision to put its interests in Europe ahead of Commonwealth loyalties.

If this is the case, say local

tralia and New Zealand allow their colonial ties to wither, and instead concentrate on forging closer links with Asia? The summit's opening session, however, will see a suspension of hostilities as the

association pats itself on the

mentators, should not Aus-

The Commonwealth "was in the vanguard of the internasecretary general, Chief Emeka Anyaoku, in his report last

··· On several other counts, too, the Commonwealth has cause to celebrate. Membership is rising and the number of military regimes has fallen from nine in 1991 to three - Nigeria, Sierra Leone and Gambia.

Yet three is seen as three too many, with Nigeria, whose 90m people have been under army rule since 1983, arousing especial concern and calls for its suspension from the Commonwealth and for sanctions.

Mr Mandela's very presence prompts an awkward question.
If what amounted to expulsion from the Commonwealth. and sanctions against South Africa helped bring about Mr Mandela's release and the downfall of apartheid, why are

those weapons not being used to bring change to Nigeria? Although Nigeria's military leader, General Sani Abacha responded to international pressure and commuted death sentence passed on alleged coup plotters, Chief Moshood Abiola, the man who won the aborted presidential slections in 1993. remains in jail. Meanwhile Mr Ken Saro-

Wiwa, a community activist, was only last week sentenced

Given Gen Abacha's pledge to restore democracy by Octo-ber 1998, albeit later than hoped, and assuming the death sentence on Mr Saro-Wiwa is commuted, notwithstanding yesterday's confirmation of the penalty by the ruling military council, the Commonwealth may agree that he has done just enough to get himself off the sanctions hook and to

escape suspension.
But if the Commonwealth can find consensus on Nigeria. there seems no way out of a damaging split over the nuclear tests.

In an article in The Australian this week, Britain's foreign secretary, Mr Malcolm Rifkind, gave advance warning that the UK would not give ground. He wrote that Britain, France and the US would sign the protocols of the Treaty of Rarotonga in the first half of

1996, ending nuclear testing in the region for good. This view gets a sharp response from those who live in the region, "unwilling to view several more tests as an acceptable final nuclear fling". as a commentator in the same paper put it.
The likely outcome is that

the summit will agree to dis-

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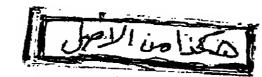


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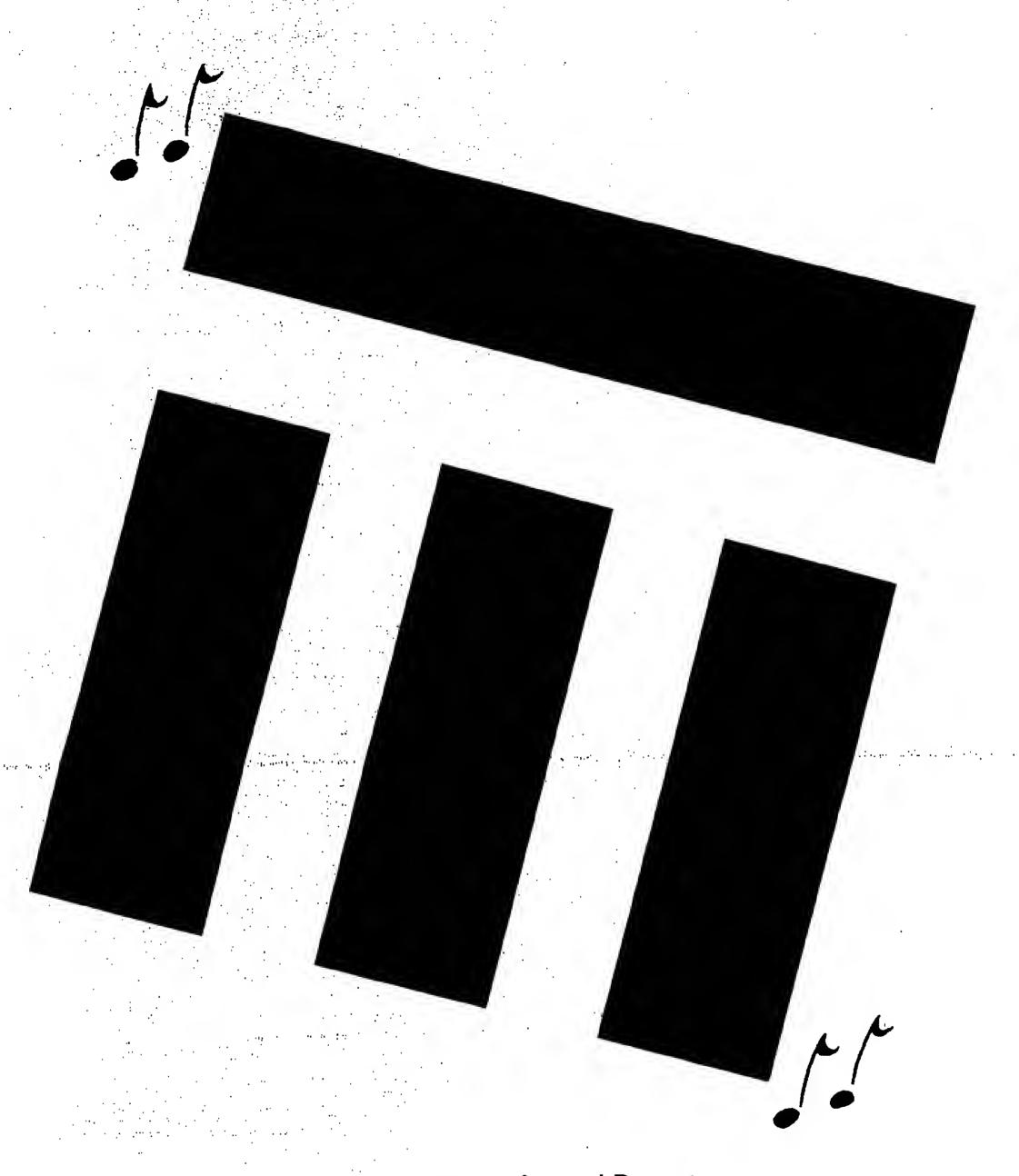
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Some will find it music to their ears. For those who prefer reading the score, here's a list of what the past year has meant for Swiss Re.

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As you might notice, reinsurance isn't exactly what you'd call boring. In fact, the daily thrill of loss and profit in managing international risks is enough to keep anyone on their toes.

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**Swiss Re** 

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Jurek Martin on the outlook for the Republican presidential nomination

enator Bob Dole cannot have had many better Dole the clear front-runner, political days than he did yesterday. The Republican majority leader may still face an uphill run for the presidency, but at least his party's nomination for the main event now looks more assured than it

His morning appearance in Manchester, New Hampshire, to receive the endorsement of Governor Steve Merrill was good enough news in itself. It should reverse his slide in the polls in the state, which holds the first presidential primary

in February next year. But that paled into insignificance when it became clear that the man most responsible for the erosion in Mr Dole's standing - retired General Colin Powell - would not enter the race for the White House. The reasons Gen Powell were due to put forward later in the afternoon might take some of the gloss off Mr Dole's satisfaction, it was possible he would

make critical remarks ahout Republican ultra-conservatives that would take him out of consideration as a possible unifying running mate for Mr Dole. But, for the moment, it lesves the Republican racs where it was before the Powell

well ahead of nine other candidates, none of whom has broken out of the pack seriously to cut into his lead.

Others have had their brief moments in the sun. Senator Phil Gramm of Texas tied with Mr Dole in a summer straw poll of Iowa Republicans and won a similar exercise in Maine last weekend, but these were dominated by conservative activists.

But Mr Gramm's abrasive personality still grates on most who hear him. He also forfeited a good chance of winning Mr Merrill's endorsement by try-ing to push Arizona ahead of New Hampshire in the primary calendar. Mr Dole's refusal to join in a similar effort for Delaware received its reward yes-

Of the others, Mr Lamar Alexander, former governor of much impact in the polls. Heavy advertising in favour of a flat rate of income tax by Mr Steve Forbes, the wealthy mag-azine publisher, may be making some waves in low-tax New Hampshire hut fewer elsewhere. Mr Pat Buchanan is sounding more like an indepen-dent candidate and could have bolted tha party if Gen Powell were the nominee. He may still

cloud on Mr Dole's horizon in the person of Congressman Newt Gingrich, the Speaker. He has said all along that he would make no move on his own before Gen Powell made his decision.

There are plenty of people in tha Speaker'a conservative salons who will now urge him to get into the contest so as to preserve the 1994 conservative "revolution" of which Mr Dole, his moves to the right notwith-standing, is considered only a qualified supporter.
Mrs Arlanna Stassinopoulos

Huffington, wife of last year's

failed, California senate candi-date, is merely one "celebrity" who makes this argument frequently in print and on the air. But Mr Gingrich freely admits few politicians attract the negative ratings he commands, 50 per cent and upwards in two recent national polls. This reflects dislike not only of his policies but of his rhetoric, still prone to lapse too often into the extreme. He also woke up yesterday morning to new evidence from the off-year elections that his revolution is



Dole, left, announcing his candidacy in April, and Powell, catching the nation's eye at a Pentagon briefing during the Gulf war

The results may have been too scattered to be decisive but they could serve as a warning. So may the next few weeks in Congress, as Mr Gingrich leads the Republican charge in trying to bend President Bill Clinton to his budgetary will. The problem is that the Speaker seems either unwilling or unable to keep his ardent young House conservatives in check as they seek to impose ever more radical social conditions on the budget and an

Dole. The fact that he is not going to hid for the nominaextension of the debt ceiling. tion, which the polls also say he would have won, thus comes as an unqualified relief. All the Republican cacophony over Gen Powell has not been matched on the Demo-

that the party could have been splintered, with some following But the White House can the likes of Mr Buchanan and read the polls as well as any-one and all have showed that Gen Powell would prove a far more potent Republican chal-lenger to the president than Mr

cent of the popular vote but scored a 2-1 majority in the electoral college, showed the degree to which he benefited A residual concern before

in that case Mr Perot. That cal-Gen Powell ruled himself out would have been a Dole-Powell ticket, which looked good on paper. But such was the hostility to both men on the part of crowded on the right.
Of course, the unknown facmuch of the Republican right

others supporting whatever Mr Ross Perot's fledgling party The 1992 election, in which Mr Clinton won only 43 per

culation has not changed. It remains easier for him to carry a state - and all its electoral college votes - if the field is

tor is the mood of the country. The one constant throughout the 1990s is the sense of dissat-isfaction with the quality of candidates on offer and with the two main political parties. This explains why Gen Powell, seen as a man of integrity, independence and moderation. was so appealing. But the

### playing much less well in the heartland than in Washington, DC. tidal wavs started washing Republicans fail to shine in country-wide off-year elections

The Republican bandwagon may still he rolling in Washington but it looked distinctly wohhly in off-year elections across the country on

Mr Kirk Fordice, the Republican incumbent, held on to the governorship of Mississippl, hut the party failed in its two prime targets, control of the Virginia assembly and the governorship of Kentucky, and lost a handful of seats in other state

in Virginia, the Democrats preserved their 52-47 majority n the house of delegates and lost two seats to end in a 20-30 tie in the state senate. But they retain control hecause the deciding vote in that chamber is cast hy Lt Gov Donald

Beyer, who is a Democrat. The state's geographical divisions were sharply underlined. The rural southern parts of the state saw some Republican gains, including the defeat of the senate's majority leader. But the prime

NEW ISSUE November 8, 1995

nationwide elections is more likely to be the suburbs than the countryside.

resnlts were immediately seen as a substantial defeat for Republican Vlrglnia's Governor George Allen, who had staked the future of his conservative revolution on the party winning both chambers for the first time since the aftermath of the civil war.

He is now likely to he assigned to lame duck status for the two years remaining in his term, and his ambitions on the national stage, in which he has been closely identified with Mr Newt Gingrich, the Speaker of the House, have

clearly been dented. Mr Haley Barbour, national Republican party chairman, songht to play down the consequences of the elections, on the grounds that the Democrats were inclined to claim victory "every time they don't lose everything".

However, the Speaker and Republican national policies had been heavily criticised by

races. Lt Gov Paul Patton, elected by a thin 51-49 margin in a come-fram-behind victory, proclaimed that Kentucky had said "no to Newt Gingrich and Boh Dole, no to cuts in Medicare and no to the Contract with America".

Prime battlefield in next year's nationwide elections is more likely to be the suburbs than the

Mr Fordice won comfortably enough in Mississippi hnt proved to have short coat-tails. The Democrats, already in a majority in the house, easily retained control of the state senate by 32-18, with two seats undecided, while the populist Republican cause of term limits for elected and appointed officials suffered a relatively

In Maine, Democrats won both special elections and took back control of the house. A state referendum rejected an antl-gay rights proposition pushed hy conservatives. In New Jersey, Democrats gained three seats in the assembly hut Republicans, already running the senate, still won a 50-30 Most of the 10 big city may-

oral races saw power remain with incumbents, with Demo-crats easily holding on in Phil-adelphia, Baltimore and Houston. San Francisco will hold a run-off next month between Mr Willie Brown, former state assembly speaker, and Mayor Frank Jordan, both Democrats.

A non-binding "presidential preference poll" in over a dozen central and western towns, organised by a private organisation, gave 44 per cent to President Bill Clinton, 18 per cent to retired General Colin Powell and 12 per cent to Senator Bob Dole. It came before Mr Powell's announcement on whether he would stand for the Republican nomination.

### bomb man surrenders

cratic side, once it became clear early on that he would

not challenge Mr Clinton in

the Democratic primaries and

chance and run as an indepen-

was unlikely to take a quixotic

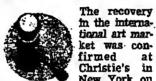
A former Argentine army sergeant has surrendered to authorities investigating e bomb attack on a Jewish centre in Buenos Aires last year that killed 86 people, Argentine officials said yesterday, Reuter reports from Buenos

Mr Hugo Anzorreguy, Argentine intelligence service chief, said the man admitted to the judge leading the investi-gation that he "accompanied" a Renault van used in the bombing in July 1994, considered among the worst peacetime attacks on Jews. He did not give the man's

Telam, the state-run news agency, quoting prosecutors, said he was a 35-year-old artillery sergeant dismissed for taking part in a 1990 mutiny. The man is believed to have handed himself in to a judge in the southern city of Comodoro Rivadavia on Monday and was flown to Buenos Aires on Tuesday for questioning hy Mr Juan Jose Galeano, the federal judge who heads the bombing investigation.

### Argentine | Christie's sale lifts art market

By Antony Thomeroft



Christie's in New York on Tuesday night when an anc-

tion of 65 Impressionist and modern paintings and sculp-tures sold for \$107.7m, the first time that a Christie's auction has topped \$100m since the halcyon days of May 1990. Most attention was on one of Picasso's sensuously imaginative portraits of his mistress Marie-Thérèse Walter, painted

in 1932. In 1989 a Japanese Christle's was expecting bids of around \$15m. and its success should tempt back to the auctions other sig-

recent years. portrait of a circus performer from his "pink period" of 1905,

nificant paintings which have been locked away in Japan in A much earlier Picasso, s went for \$12.1m, also above forecast. In 1980 it had sold for \$1.1m. A major Cubist painting by Picasso of 1911 was on target at \$7m.

Other highlights included a portrait hy Modigliani of a fellow Left Bank artist, the sculp-tor Oacar Miestchaninoff, which went above forecast at \$9.35m, and the \$6.38m paid for a colourful Matisse of the 1930s, "Les deux femmes". A more important Matisse, one of the "cutouts" he experimented with late in his career, and the last still in private hands, was slightly disappointing at the

One of Monet's many paintings of waterlilies also just huyer paid \$26.4m for the work Returning It so soon to a weaker market was a risk and Christie's was expecting bids of don in 1903, did well at \$3.5m. In all 20 lots exceeded \$1m However, It sold for \$20m, and only 10 failed to find buyers. In terms of value the auction was 95 per cent sold. The result underlines the renewed confidence st the top end of the art market and also the

confidence of American busi-

ness - half the works of art

camp eyes a second term

**Cardoso** 

By Angus Foster in São Paulo

Ministers close to Brazil's President Fernando Henrique Cardoso are raising the possi-bility of changing the constitu-tion to allow his re-election at the end of his four-year mandate in 1998.

However, the proposal is controversial and may complicate Mr Cardoso's negotiations with Congress on other reform proposals, as well as inspire criticism from other presidential

hopefuls.
Mr Sérgio Motta, communications minister and one of Mr Cardoso's most trusted advisers, raised the matter this week, saying "this is the right moment" to discuss it. Mr Cardoso has refused to be drawn, saying it is a matter for Con-gress to decide. But he is widely thought to be keen to seek another term.

Brazil's constitution restricts the president, state governors and mayors from seeking reelection to consecutive fouryear terms. But a constitutional amendment allowing re-election has been proposed in Congress hy a member of Mr Cardoso's ruling alliance, and could he givan a floor vote

later this year.
Mr Cardoso's advisers want to secure his re-election chances while his popularity remains high, and before next year's municipal elections. Up to 100 congressmen are expected to dispute those elections, and will be opposed to any changes which would lat incumbent mayors remain in

If the re-election amendment is not approved shortly, it will probably have to wait until 1997, when approval would be complicated by preparations for the presidential and gubernatorial elections in 1998. Mr Luis Inácio Lula da Silva, Mr Cardoso's main rival in last year's presidential race, said that he supported the re-election proposal, but that present mandate holders should be excluded.

Mr Antônio Carlos Magalhāes, a powerful northern sential presidential candidate, said he feared raising the re-election question at this stage could damage the government's reform pro-

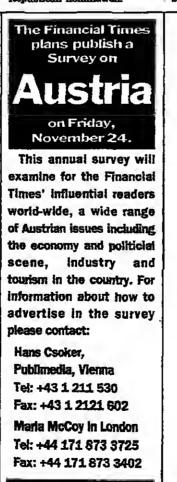
Mr Cardoso has sent important measures on tax, social Congress. Some analysts are worried that Mr Cardoso may water down some of these proposals in return for approval

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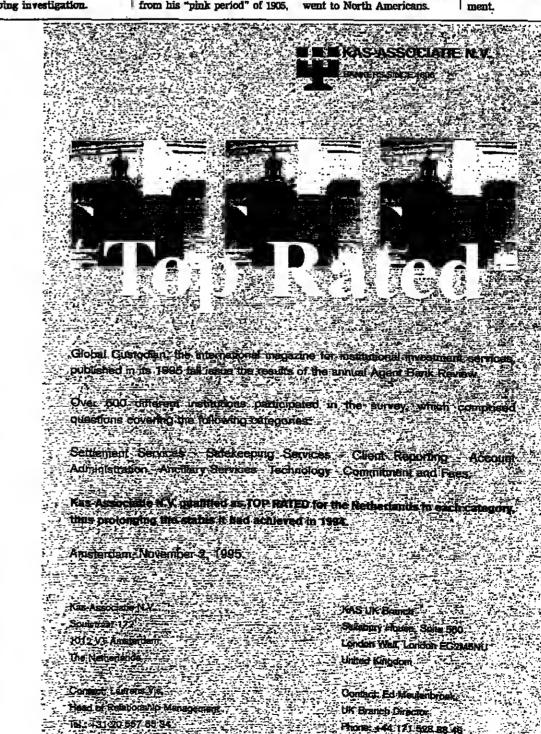
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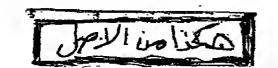
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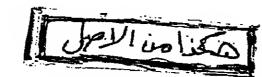
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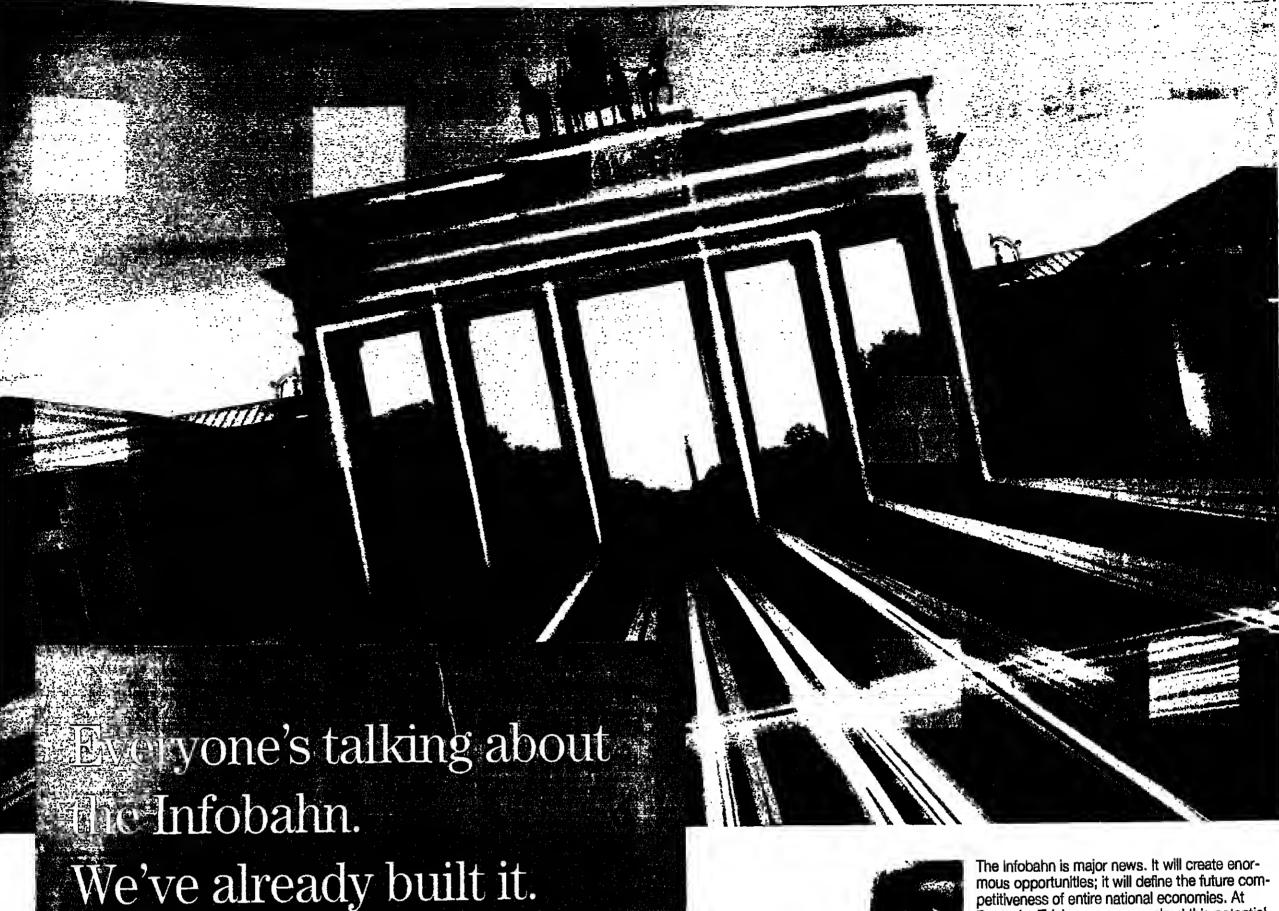
FT Surveys







Cardoso camp eyes a second term





Deutsche Telekom was one of the first companies in the world to invest in the Infobahn. So it's hardly surprising that we're further down the road than our competitors. We already have the most closely woven fiber optics network - and the most extensively developed ISDN network - in the world. So wherever you want to go in the world of multimedia, we have all the routes you need.



The Infobahn is major news. It will create enormous opportunities; it will define the future competitiveness of entire national economies. At Deutsche Telekom, we recognized this potential years ago - and gained a head start in creating

the necessary high-speed infrastructures to enable our customers to take full advantage of it. With the result that we now operate the most developed ISDN network, the most comprehensive cable network and the longest fiber optics network in the world.

The multimedia revolution isn't coming - it's here. We are already seeing the first results of our efforts to make this new technology improve the way we all live.

Working with our partners, we have linked hospitals and clinics to the Data Infobahn. Now X-rays and scans can be sent from specialist to specialist for analysis - in seconds. Teams of surgeons, perhaps thousands of miles apart, can confer on-line, concentrating lifesaving skills and expertise where they are needed, regardless of where the specialists actually are.

In schools, the Infobahn is helping children to learn in new and more effective ways. Thanks to videoconferencing, they can even join other schoolchildren from around the world in "virtual" class-

With our help, Lufthansa is now operating the world's first remote aircraft maintenance system. Via the Infobahn, performance data is transmitted to ground stations while the plane is in flight, and then processed into detailed service checklists for the next stopover

We're also working with some of Germany's largest mail order companies to make teleshopping a reality: complete with on-screen selection, on-line customer assistance and electronic order processing and payment.

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Our connections move the world.

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### US and **Thailand** to settle air row

By Ted Bardacke in Bangkok

The US and Thailand are to hold talks on settling their five-year-old aviation row and expect to sign a new bilateral

aviation agreement soon.

Agreement would increase the number of passenger and cargo flights Thailand allows US airlines to fly into Bangkok. Passenger loads for US carriers have been limited to the levels of 1990, when Thailand cancelled a previous treaty. Applications for extra cargo capacity are considered on a case-by-case basis.

US transportation secretary Federico Peña, at the beginning of a 17-day trip through Asia, said informal discussions had resulted in progress on a framework for reaching an pate this to be a very long process." he said.

Mr Peña said he would also sign aviatioo agreements with Hong Kong, Macao and the

Philippines during his trip. The stalemate between Thailand and the US appears to have been broken by a softening of the US stance on fifth-freedom rights, which allow airlines to pick up passengers during a stop-over in a third

Thailand also cancelled fifthfreedom rights for US carriers in 1990, citing figures which sbowed that the majority of passengers flown into Bangkok by US carriers were from

Asian countries. As a result, US airlines often land in Bangkok with empty seats after letting off passengers in Tokyo although the Tokyo-Bangkok leg of the flight is deemed full and there is a waiting list for seats on that route.

The agreement will increase capacity and partially placate US carriers, who have recently scaled back operations in Thailand and dealt a blow to Thalland's stated objective of becoming a regional air hub. Last July, Delta pulled out of Thailand completely and United cancelled flights stopplng in Taipei that same

### US holds up ship subsidy accord

By Charles Batchelor. Transport Correspondent

The US yesterday emerged as the main stumbling block to the early phasing out of state aid to shipbuilders in a marked contrast to its earlier strong stand against government sub-

European Union industry ministers voted on Tuesday to delay ratification and implementation of an international accord reached last year to end subsidies until the other main signatories to the pact - the US, Japan and South Koreahad fulfilled their part of the

It now appears that while European countries have outstanding concerns about

alleged "dumping" of shipbuilding capacity by Japan and South Korea, the US was the main obstacle to putting the agreement into effect.

Subsidies were to have been phased out from January 1 under an agreement reached within the Organisation for Economic Co-operation and Development, but EU ministers have agreed to extend until October 1 a special regime allowing state hand-outs of up to e per cent of the value of a

The delay in implementing the new agreement in the US is due to a backlog of legislation in Congress and a dispute between Republicans and Dem-ocrats over shipbuilding policy. The House Ways and Means

Committee is already considering urgent legislation on Medi-care and the US hudget and has no time to look at the issue of shipbuilding aid.

The issue of ald has also split the US shipbuilding industry with six of the largest yards which used to specialise in naval orders setting up their own breakaway organisation, the American Shipbuilders Association, which is opposed to the removal of subsidies.

The 14 smaller yards left in the Shipbuilders Council of America are continuing their support for the abolition of state aid. The OECD move to outlaw subsidies was very much the result of fierce US lobbying to give its own shipyards a fairer deal.

prompted fears that some European countries will be tempted to increase subsidy levels to their own industries leading to a resumption of fierce price competition.

The two other countries which have been publicly blamed for delaying implementation of the OECD accord. Japan and South Korea, are closer to ratification. In South Korea the ratification document was submitted to parlia-ment in September and is expected to be approved in December. Japan is in the middle of a busy legislative session but is expected to ratify by

March. The approaching deadline for the phasing out of state aid has

The delay in the US has led to an influx of orders to many European yards as shipowners attempt to reap the benefits of subsidy. But this has prompted concerns among northern European yards that state-owned shipbuilders in southern Europe are continoing to enjoy an unfair advan-

> Kvaerner Govan, the British subsidiary of the Norwegian Kvaerner group, said it had lost one order for a stainless steel chemical tanker to Spanish group Astilleros Espanoles (AESA) in July. Two other orders for similar vessels also went to AESA which would otherwise have gone to north-em yards, it added.

Editorial Comment, Page 15

### Baku preparing for second oil boom

Bruce Clark and Scheherazade Daneshkhu on the revival of Azerbaijan's economy

r Arne Hoffman, Lufthansa's man in Baku, has worked in easier places. The German carrier's maiden flight to the Caspian Sea city, six months ago, was inexplicably denied per-mission to land; and his first attempt to stake out a small corner of Baku airport was abruptly terminated by the

Life is still full of challenges. The airport, built under the Soviet regime which ruled Azerbaijan until 1991, offers virtually no handling services to foreign airlines, and one runway is sometimes waterlogged. But he hastens to insist: "We would not be flying here at all if we did not think it perfectly safe." And like most members of Baku's small but fast-growing western community, the young representa-tive of Lufthansa feels that little local difficulties are well worth solving.

As energy from the Caspian transforms the region's economy, and the market reform that was pioneered in Russia spreads to other ex-Soviet republics, a city which had its first oil boom in the 1890s is now preparing for its second.

Both Lufthansa and British Airways report steadily rising demand for their twice weekly flights to Baku, as oil personnel from the US, UK and Norway start fulfilling the \$8bn drilling contract which a BPled consortium signed last

In January, British Airways will be adding a third weekly flight to a destination that until a few years ago was only accessible via Moscow, by those who were prepared to put up with Soviet transport at its most rigorous.

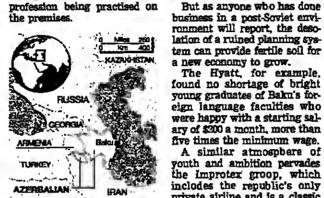
The government of Azerbaijan, whose 7m people share a religion - Shia Islam - with Iran and a language with Tur-key, expects to earn at least \$100bn from oil revenues over the next 30 years; and "new Azeris" - brash young entrepreneurs - are emerging to cash in on the bonanza. Apart from oil people and

local tycoons, many of the western airlines' passengers will be hopeful representatives of the service industries which the energy boom will bring into being. Mr Charlie Christmas, a 35-

year-old Briton who came to Baku last year for a friend's wedding, has opened the city's first English pub. With the oil community set to rise tenfold next year, to about 5,000, it will not be the last. Among hoteliers, Hyatt has

led the way by transforming a handsome stone building in a modest quarter of the city into a five-star emporium, com-

plete with bealth cinb, swimbankers, geologists, pipeline builders, and diplomats courting the Azeri government: a bemusing spectacle for locals who remember a much older



But the Marriott group is in the words of Mr Nick Ward, a senior vice-president -"actively considering opportu-nities in Baku" - and at least two other chains are also understood to be interested.

All this makes for peculiar contrasts in a run-down city whose 2m residents include hundreds of thousands of refugees from a war over the enclave of Nagorno-Karabakh which has left the Armenians

in control of 20 per cent of the ming pool and casino.

The occupants of its 160 and water to parts of the city sumptuous rooms include are erratic, and the local telephone network - which the Russian energy concern Lukoil and the UK telecoms supplier GPT are working to upgrade is still a hit-and-miss affair.

But as anyone who has done business in a post-Soviet envi-ronment will report, the desolation of a ruined planning sys-tem can provide fertile soil for a new economy to grow.

The Hyatt, for example, found no shortage of bright young graduates of Baku's for-

ary of \$200 a month, more than five times the minimum wage. A similar atmosphere of youth and ambition pervades the improtex group, which includes the republic's only private airline and is a classic post-Soviet business story: it has progressed from trading (electronic goods from Dubai) and tourism (servicing western business travellers) to a growing retail network and some

light manufacturing.

Life is no picnic for that group either. Mr Jeyhoon Mammadbelly, deputy director and recent recipient of an MBA from Trent Nottingham University in Britain, complains of a "lack of legislation, lack of where Baku and Azerbaijan investment and a lack of are."

Despite pressure from the International Monetary Fund, which provided Azerbaijan with a standby credit of \$48m last spring, privatisation has hardly begun. (The Sovietera ministries which used to plan

the economy have remained with little positive to do but considerable ability to make a nuisance of themselves.) But the mere fact that inflation, well into four figures last year, has now been been subdued is making Azerbaijan an attractive place for Moscowbased bankers and entrepreneurs, especially those - like the Lukoll president Mr Vagit Alekperov - who have family

ties with the republic. If Bakn was a simple place to do business, with transparent laws, efficient bureaucrats and without the shadow of a war which could reignite at any time, it would probably be booming already.

As outsiders like Mr Hoffman and insiders like Mr Mam-madbelly will testify, it meets none of these conditions - but the boom will probably come anyway. In the words of Ms Jacqueline Schmid, recently arrived from Germany to manage Hyatt's public relations:
"In a few years, you will not have to explain to anybody WORLD TRADE NEWS DIGEST

### Coface switches to securitisation

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Coface, the French export credit agency, is to switch from relying on traditional bank loans to seeking "securitisation" funding in the financial markets as a means of obtaining cheaper export credit for Airbus purchasers.

The French finance ministry said yesterday it had asked Coface to switch to securitisation, in which investors would provide export credit in return for commercial paper backed by Coface, in order to match a similar facility offered by the US Eximbank to Boeing, the chief competitor to Airbus. The ministry estimates securitisation could lower Airbus export credit financing costs by 30 per cent compared to traditional export credits provided by banks and guaranteed by Coface. Of the two other national export credit agencies that back Airbus sales, the UK Export Credit and Guarantee Department has recently switched to securitisation, but Germany's Hermes agency still underwrites bank credits.

David Buchan, Paris

#### Iveco invests in Ukraine

Iveco, the commercial vehicles subsidiary of Fiat, has formed a joint venture for the production of light and medium duty trucks in Ukraine. The Italian group is taking a 35 per cent stake in the venture, to be called Iveco-Kraz. The Kremenchug Antomobile Plant (Kraz), Ukraine's largest commercial vehicle maker, will also hold 35 per cent, while the remaining 30 per cant stake will be taken by the European Bank for

Reconstruction and Development.

The EBRD, which was established in 1991 to assist in the transition process in central and eastern Europe, is investing \$18m in the joint venture, its biggest private sector investment

Iveco-Kraz will begin production before the end of the year of two models based on the iveco Daily and EuroCargo truck ranges at the Kremenchug plant in central Ukraine.

Components will initially come from Italy, but it is planned to raise local content during the next five years to around 70 per cent with output rising to 12,000 vehicles a year.

Kraz, which specialises in the production of heavy trucks, has 13 plants in Ukraine and has a total workforce of around Kevin Done, East Europe Correspondent

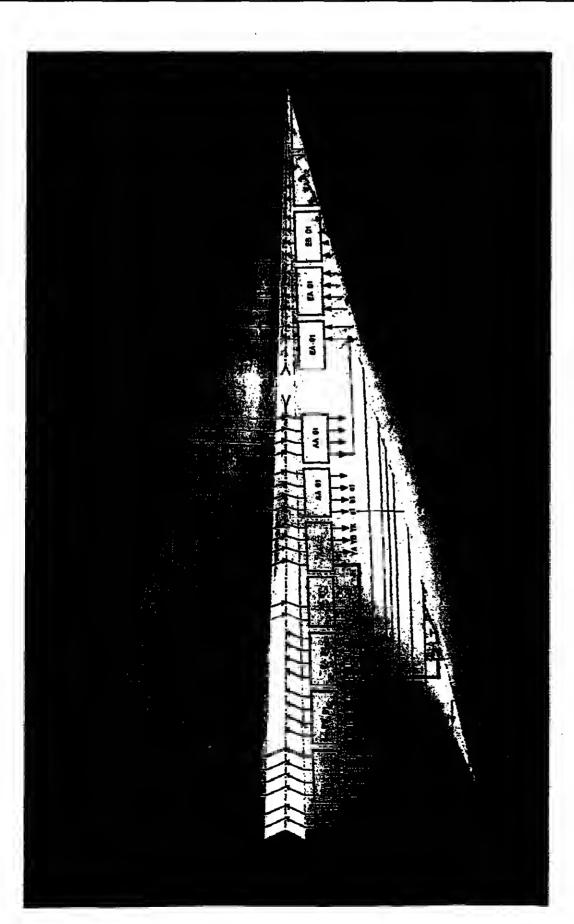
#### Air traffic grows by 9%

Airline traffic grew 9 per cent in the first nine months of the year, against a total increase in capacity of 8.1 per cent, according to the International Air Transport Association. The faster increase in traffic against capacity is welcome news for the aviation industry, as it indicates that airlines are adopting a cautions approach to introducing new aircraft. During previous recoveries, profits have been reduced by airlines buying new aircraft to accommodate the increase.

Mr Pierre Jeanniot, lata director general, said last month that he expected airlines to make total net profits on their international scheduled routes of \$5.7bn this year. The airlines made a net profit of \$1.8bn last year after losing \$15.6bn in the

previous four years.

Passenger traffic in the first nine months increased 8 per cent over 1994, while the supply of available seats went up 6 per cent, lata said. Passenger load factor, or aircraft seat occupancy, was 70 per cent over the nine months, one percentage point higher than in 1994. Freight traffic increased by 11 per cent. Michael Skupinker, Aerospace Correspondent Howard Smith, the Australian diversified industrial group, said yesterday its Gonian engineering subsidiary had woo a A\$55m (\$41m) contract to provide 20 light rail vehicles to Hong Kong's Kowloon Canton Railway Corporation, which is expanding its services.



Can you simplify the global exchange of technology?

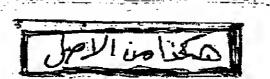
When Thailand legislated that industrial electricity users had to supply their own substations, the local economy didn't have the know-how. ABB

reacted with a swift hands-on transfer of technology. A "Tiger Team" of technicians flew in from Scandinavia and Saudi Arabia, to share skills and experience with Thai engineers, and handled the first project for the Thai Plastic Company. Next, ABB started local assembly and manufacture of switchgear, creating a whole new local industry. The "Tiger Team" remains involved in information exchange, but now the students are teachers too. As a leader in electrical engineering for the generation, transmission and distribution of power, and in industry and transportation, ABB is committed to industrial and ecological efficiency worldwide. We transfer know-how across borders with ease. But in each country, ABB operations are local and flexible. That means we are close at hand to help our customers respond

Yes, you can. swiftly and surely to technological challenges which stretch the limits of the possible. Like promoting a local economy to the

head of world dass technology.





\* Staine

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**NEWS:** ASIA-PACIFIC

### . Japanese trade surplus down 7.4%

By William Dawkins in Tokyo

Japan's current account surplus shrank 7.4 per cent in the six months to September, the fourth six-monthly decline in a row, the finance ministry announced yesterday.

The decrease, to \$58.3bn, was caused by a continued rise in imports, from both foreign suppliers and the growing number of Japanese companies abroad. This is a mark of how the high yen and recession have started to alter the structure of the formerly export-based domestic economy, economists in Tokyo said.

This would keep up the pressure on the yen to continue its post-August retreat against the US dollar.

Within the total, the surplus in September fell 10.3 per cent compared with the same month last year, to \$10.6bn and will continue to fall for at least the next few months, ministry officials predicted.

Over the six months, the trade surplus fell 3 per cent,

in a row, to \$70.19bn. Exports rose fast, by 14.9 per

yearly gain.

cent to a record \$219.3bn, but imports easily outstripped that growth, rising 25.8 per cent to \$149.12bn, also a record, the seventh consecutive half-

Japan's electronics industry, which is benefiting from a world expansion in demand for semiconductors, led the rise in exports, with an increase of 44 However, Japan's second

the second six monthly decline largest export industry, cars, saw a 5.5 per cent fall in foreign sales, a consequence of increased production by Japanese factories in the US, an official said.

> Car imports, by contrast, rose 47 per cent in the first half, exceeded only by office equipment (including compnters) with 78.2 per cent

> Revealingly, imports of manufactured goods have risen to 58.1 per cent of the total, a change from Japan's former

140 EFigs to Sep materials for transformation

Japan'a long-running deficit on the services account expanded by 35.8 per cent to \$8.26bn in the first six months, led by a growth in foreign travel But in September alone, the

into export goods.

long-term capital account swung into a surplus of \$800m, the first surplus since March. Net capital outflows fell as Japanese banks sold foreign bonds to raise cash to write off,

Current account balance, Son

1990 91 92 93 94 95

bad debts, according to Merrill Lynch in Tokyo.



South Korean bousewives denounce former president Roh

### Korean fund probe 'a formality'

Opposition sees a distraction from its claims against President Kim

By John Burton in Seoul

South Korean opposition investigation of alleged contri-butions by business leaders to former President Rob Taewoo's \$650m (£410m) slush fund appeared to bs a "formal-

The National Congress for New Politics (NCNP), the coun-try's largest opposition party, claimed the questioning of leading husinessmen by prosecutors was meant to distract public attention from allegations that President Rim Young-sam used money from Mr Roh's slush fund to finance his 1992 election campaign. President Kim has denied

from Mr Roh, but has so far refused to disclose the sources of his campaign finances. The Democratic Party. another opposition group, urged the prosecution to inves-

tigate the business leaders thoroughly to determine if their political contributions to Mr Roh amounted to payments for government contracts. The prosecution has said the business executives being sum-moned are "meterial wit-

Mr Park Kyedong, an oppo-sition MP who has played a crucial role in exposing the slush fund, accused the government of trying to limit ths investigation on the pretext that it would barm the

LG, Dong-ah and Hanil groups were questioned yesterday about the size of their donations to Mr Roh and in what circumstances the money was

Mr Lee Kun-hee, Samsung chairman, was asked about government contracts for the F-16 combat aircraft programme and nuclear plant con-struction and official approval of Samsung's entry into the car

Other businessmen expected to be called include the current or former chairmen of Hyundai, Daewoo, Ssangyong, Lotte, Hyosung, Kolon, Doosan, Haitai and Kohap groups, which are among the country's leading conglomerates.

question about 50 senior businessmen by the end of next week, but this has prompted criticism that the rapid pace of the interrogations may produce few results.

Businessmen found to have made contributions to Mr Rob may be liable to tax penalties. but the National Tax Administration yesterday said it would not conduct tax audits on their companies until next year to avoid creating problems for the

The investigation of the scandal has come at a critical time for the conglomerates, which are drawing up investment plans for 1996 and trying to increase exports to meet this year's targets.

most beavily on government hopes of gleaning Rs21bn from

for the sale of state assets.

public-sector reforms", a code

ASIA-PACIFIC NEWS DIGEST

### Hanoi warned over reforms

The World Bank has praised Vietnam's success in achieving sustained economic growth and curbing inflation in the past year but has warned that further growth and the success of economic reforms depend on Hanoi speeding private-sector development. "Despite the success of state enterprise-led industrialisation since 1991, a strategy based on developing large, capital-intensive state enterprises, protected from foreign and domestic private competition and concentrated in selected 'strategic' sectors, would not deliver the industrialisation Vietnam needs," it said in a report which was ready last month but made public only yesterday.

Vietnam officially abandoned its command-style economy in 1986 and has seen an average 8 per cent GDP growth since reforms, known as doi moi, started to bite in 1989. In spite of a programme of state enterprise reform that has slashed loss-making entitles from 12,500 to 6,000 since 1990, Vietnam's private sector is still small and faces discrimination from the government, mainly in terms of access to credit.

Foreign economists say Vietnam's Marxist educated

leadership is still uncomfortable with the idea of a flourishing private sector for ideological reasons. Prime Minister Vo Van Kiet told last month's session of the National Assembly that the state sector had "not dominated the country's economy as we expected". The report noted: "The debate on whether there should be an environment that encourages and sustains the private sector. . . or that keeps it more tightly under government control is not yet resolved." Jeremy Grant, Honoi

#### Korea remark prompts apology



A Japanese cabinet minister apologised yesterday for saying Japan did "good things" during its colonial rule over Korea. Mr Takami Eto (pictured left), head of the Management and Co-ordination Agency, said be withdrew the remarks and regretted them. His apology came a month after Prime Minister Tomlichi Murayama was forced to back down on positive comments be made about Japan's 1910-1945 colonial rule over then undivided Korea. "I withdraw my statement," Mr Eto, a

veteran member of the conservative Liberal Democratic party, said. "I regret it caused a misunderstanding." Mr Eto had told reporters: "It [Japan] erected schools and universities and substantially raised the level of education, laid 5,000km of railroads, conducted irrigation, improved port facilities and planted trees in the

#### Japanese pay bonuses boosted

Japan's leading electronics companies plan to increase workers' bonuses for the second year running, a small dose of good news for depressed consumer confidence. The six leading Tokyo-based groups have offered a 1.8 per cent rise, well above inflation, in winter bonuses, according to union officials, the rise among Osaka companies averages 1.3 per cent. Electronics companies' pay has set the trend for other industrial sectors. Typically, bonuses account for 30 per cent of total pay, with 10 per cent from overtime and the rest from basic salary. Overall, pay is expected to rise this year at about the same level as last, 2.2 per cent, advancing to 2.5 per cent next year, Mr

Kizu Shinyo Kumai, the defunct credit union from which Y100m (\$980,000) in Bank of Japan special loans has disappeared, will use voluntary contributions from its employees to make up the missing sum, it said yesterday. Japanese financial regulators have been embarrassed by the disclosure of the disappearance of the Y100m from Kizu. The Bank of Japan extended Y359bn to Kizu after a run on the credit union at the end of Angust, Mr Tasuku Hasemura, Klzu president, said he would give up all his salary for five months; five senior board members have been asked to contribute 40 per cent of their salary. Some 600 clerks have been asked to

#### China's industry output up 13%

Emiko Terazono, Tolak

give 10 per cent.

China's industrial output grew by 12.9 per cent in October compared with the same month last year. This was in line with government expectations. Figures published by the State Statistical Bureau showed there had been some pick-up in activity between September and October, reflecting an easing of credit restrictions. But the outlook remained difficult for heavily indebted state-owned companies, whose output grew by 6.4 per cent in the 10 months to October, well below the overall increase. The state sector continues to be burdened by problems of triangular debt in which enterprises are unable to pay each other for goods and services, and by a buildup of Tony Walker, Beijing

#### Victoria to privatise port

The Victorian state government yesterday announced it was to put the Port of Portland up for sale. It was calling for expressions of interest in the port assets, which include its wharves and land, by November 17, and hoped to proceed with a sale next in the new year. The facility is one of three regional cargo ports the state government is keen to sell, the others being at Hastings and Geelong. The Portland facilities take in five "common-user" berths,

and one for the Portland Aluminium smelter. The main Items passing through the port are alumina and aluminium ingots grain, fertiliser products and woodchips. Under the proposed sale, the government would retain ownership of underwater assets. Victoria, trying to reduce a A\$30bn (\$22.3bn) debt burden, has been to the fore of Australia's privatisation trend, pursuing sales more quickly and widely than any other

#### Timorese get Portuguese asylum

Eight East Timorese who entered the Dutch embassy in Jakarta on Tuesday requesting political asylum have been granted asylum in Portugal. The East Timorese told the Dutch embassy they were on the run from the Indonesian military, which invaded East Timor in 1975 after the territory was bandoned by Portugal. Manuela Saragosa, Jakarte

### personally receiving funds Sri Lanka's budget hit by defence spending rise

By Mark Nicholson in Colombo

The Sri Lankan government's fiscal performance has been thrown off kilter by a 33 per cent rise in its defence budget over the year and the prospect of high military costs next year. This is the result of the government's intensified assault on the Tamil Tiger stronghold of Jaffna, Mr G. Peirls, deputy finance minister, admitted in his annual budget speech yesterday. Mr Peiris said defence spend-

ing, combined with unexpectedly high costs of a government wheat subsidy and He set a 1996 budget deficit of defence spending from a attendant rising debt service target of 7.8 per cent of GDP, budgeted Rs24bn (£293m) In

Government budget outlook (as % of ODP)

Budget items	1995	1996	1997 1998
Total Revenues	20.5	19.1	19.5 20.6
Total Expenditure, plus net lending	29.8	26.9	26.1 25.7
Current account surplus/deficit	-17	-2.8	+0.6 +3.0
Budget deficit (before grants/ assistance)	-9.3	-7.8	-6.6 -5.1

costs, would push the budget based mainly on ambitious deficit well above this year's assumptions of privatisation target of 7.5 per cent of GDP to 9.3 per cent for 1995.

revenues in the coming year. An "unavoidable escalation" 1995 to Rs32bn, with spending due to rise a further 16 per cent to Rs38bn next year, he told parliament, meant "it is not realistic to pursue the origmal fiscal adjustment path". "No scope" existed for stron-

ger ravenue measures or deeper expenditure cuts "at a time of national emergency". The budget offered only modest solace for Sri Lanka's depressed businesses and stock market, though Mr Peiris described growth this year of 5.5 per cent as "creditable" in circumstances and said this should rise to 6 per cent in

As a fillip to slackening con-

sumer spending, he raised per-sonal tax thresholds and widened tax bands. In an attempt to revive

dwindling inflows of foreign direct investment, which last year dipped to Rs8bn from Rs9.2bn in 1994, the minister also announced new tax holidays for investments in export industries bringing "advanced technology" and for those in "large-scale development projects" exceeding Rs500m. Mr Peiris said total govern-

ment revenues next year would reach Rs185.9bn, against expenditures of Rs273.4bn. But while announcing spending cuts of Rs4.5bn, the figures rest

Sri Lanka's stock market, along with both foreign and domestic advocates of reform. will welcome accelerated privatisation. But the government's revenue figure appears opti-

mistic in the light of this year's performance. The government has raised only Rs2.6bn of an initial target of Rs13bn, a failure Mr Peiris blamed on complex restructuring problems, the

need to consult with trade unions and the stock market's year-long decline.

### · Palawan, Philippines' final frontier, fights to cement its green credentials

consortium to set up a t374m cement plant is sorely testing the green convictions of the outlying Philippine province of Palawan, known as the country's "final frontier".

The local anthorities on ths

island, 240km southwest of Manila, have enacted some of Asia's strictest environmental laws to protect its natural wealth. But the inhabitants have a per capita income of just \$350 - about a third the

national average.
The island's leaders last year rejected a \$40m steel mill and have turned away other projects on environmental

The latest proposal by a Canadian-Taiwanese consortium would be 10 times the size of the previous largest investment in Palawan, It would include the construction of a new port and an 80MW power - quintupling the island's meagre power capacity and creating 2,000 jobs.

"We are looking at the offer very closely." said Mr Salvador Socrates, governor of Palawan. "We realise that it would bave a very aignificant impact on our economy But our first principle is that the integrity of Palawan's environment is non-negotiable.

Since assuming the governorship in 1992 Mr Socrates and Mr Edward Hagedorn, mayor of Puerto Princesa, the capital of Palawan, have revoked all commercial timber concessions, clamped down on arterial roads on Luzon, the Philippines'

The local authorities have enacted some of Asia's strictest environmental laws, writes Edward Luce

illegal logging and prohibited cesa" campalgn - which commercial fishing within includes a 200 peso (\$8) fine for 15km of the island.

in addition a ban was imposed on the export of all wildlife, dealing a blow to the Philippine tropical fish and mynah bird export industry. "For the first time it would seem that the authorities are serious about preserving Pala-wan's environment," said Attorney Lito Alisuag, director of Haribon, a leading environ-mental group. "The next challenge is to make this policy profitable."

According to Mr Hagedorn. who has won national awards for his "Clean Up Puerto Prin-

President Fidel Ramos yesterday ordered

Philippine officials to draw up emergency

up the economic costs of a typhoon which

nists said that the typhoor

which has claimed 800 lives and left about

Continuing power shortages in parts of

plans to cope with future natural disasters as government agencies totted

devastated much of the country last

weekend, Edward Luce reports from

200,000 people homeless, had probably put paid to the government's target of

reaching 6.5 per cent gross national

the country and the closure of several

product growth this year.

Manila.

dropping a cigarette or other litter - the best hope of achieving sustainable development is through eco-tourism.

With over 300km of pristine beaches and 54 per cent virgin rainforest cover, Palawan is viewed as a potential Bali or Phuket (south east Asian holi-day resorts). The island is also home to dezens of unique species. A growing queue of interested foreign resert chains, however, face a challenge in persuading the Palawan sustainable development council of their green intentions. "Ws are very aware of the

main island, had damaged industrial production, analysis said. Reconomic

put a figure on the overall cost of the

the government's upper limit of 7.5 per cent inflation in 1995 was now

growth, which was 5.2 per cent in the first

half of the year, is expected to remain flat for the next few months.

President Ramos yesterday declined to

disaster but senior minsters conceded that

Inflation, running at 11 per cent before

the typhoon struck, is expected to rise as

commodity shortages resulting from Typhoon Angela feed into higher prices.

Food makes up 58 per cent of the

consumer price index.

dangers which mass tourism bring," said Mr Socrates.
"We do not want our island to turn into the usual south east Asian resort with broth-

els, gambling, drugs and the rest. Our policy is to attract low volume, high value tourists interested in the environment," he said. Several groups, including the Soriano Corporation, owner of San Miguel, the Philippine brewery company, have set up luxury ecological resorts for divers and trekkers. The Sori-

ano's El Nido resort on ths

north of the island is consid-

ered the highest quality retreat in the country. The group has

donated high-speed boats to the local police to tighten up the ban on commercial fishing and coral-dynamiting, The increasing inflow of "green tourists" and the suc-

cess of projects such as the island's crocodile farm institute and the cashew nut and tropical fruit industry are expected to boost Palawan's economy. More drastic measures, however, are considered vital to the island's prosperity According to Mr Hagedorn, who is viewed as a Singaporean-style politician for his tireless promotion of public hygiens and civic morality, the eradication of police corruption is pivotal to the campaign to stamp out the plunder of the

environment. Mr Hacedorn, who won the distinction earlier this year of

RAMOS ORDERS EMERGENCY PLANNING FOR DISASTERS Exporters estimate that up to 30 per cent of the country's coconut crop, which was the Philippines' largest commodity export last year, was destroyed in the storm. More than 600,000 excount trees were toppled in one province alone last

> Rice prices, which doubled this summer after a poor second-quarter harvest, are expected to increase owing to damage on Luzon, the country's main rice producing area. The government, which was forced in August to import 245,000 tonnes of rice from India and Vietnam in an attempt to damp inflation, will almost certainly have to import more foreign rice to cover the expected shortfall, officials said.



becoming the country's first provincial leader to request the national commission on audit to look at the city books, says his main priority is to clean up the police force. The mayor has also attracted national comment for his refusal to be flanked by a private army of heavily armed "goons" - de riqueur among most provincial

e are doing our best to re-employ illegal loggers and fishermen as stewards of the envi-ronment," he said. "We are also, with the help of the commission on audit, planning to introduce an incentive system. For example policemen who catch loggers will rewarded." The future of Palawan's

attempts to bypass the often chaotic industrialisation occurring in the rest of country depends greatly on how the province reacts to proposals such as the \$374m cement plant, due to be decided upon this month. In the meantime, Palawan will continue to represent a sharp contrast to the way the rest of the archipelago

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Atlantic. Flat out. LONDON, PARIS, MADRID, FRANKFURT, MANCHESTER. ROME" TO NEW YORK AND HOUSTON AND ONWARD TO OVER 100 U.S. CITIES.

### **NEWS: UK** Bank of England warns of inflation target danger

By Robert Chote, Economics Editor

The Bank of England yesterday revised down its forecast for price increases over the next two years, but warned that the government was still more likely to miss its inflation target than hit it without another rise in inter-

"Achieving the inflation target in two years' time is by no ans assured," the Bank said in its latest quarterly Inflation Report. But it said the outlook had become much less certain since its last report in August.

Eddie George, the governor of the Bank, has continued to advocate a "wait and see" policy on interest rates, having retracted his demand for an increase over the summer as economic growth slowed.

The Bank said the recent slowing in the pace of growth might continue if companies met demand by using unsold goods rather than new production. Growth should pick up

over the next two years.

The Bank predicted that underlying inflation - excluding mortgage interest pay-ments - would peak at about

before falling to a little over 21/2 per cent at the beginning of 1997 and remaining there through the year. The government's target is for underlying inflation of 21/2 per cent or below from the spring of 1997.

The report said it was just as likely that inflation would undershoot the Bank's forecast as overshoot it. The Bank's previous report said there was more risk on the upside than the downside. The upward spike in the inflation rate in 1996 reflects a rise in import prices triggered by sterling's weakness early this year.

Mr Paul Mortimer-Lee, who the current 6.75 per cent. was in charge of the Bank's inflation forecast before joining Paribas Capital Markets earber this year, said the flat profile for inflation in 1997 looked rather implausible.

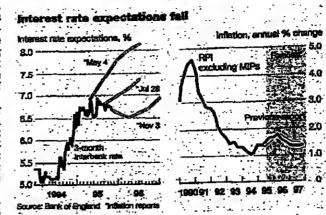
"They are clearing the decks for a rate cut," Mr Mortimer-Lee said. "The door is not open yet, but it has been unlocked. They are just waiting for the Budget." The futures market con-

cluded that a post-Budget rate cut was now more likely. The short-sterling contract predicts a base rate of 6.37 per cent next March, compared with

Mr Mervyn King, the Bank's chief economist, said the content of the Budget would be taken into account in framing advice on base rates. "What concerns us most is the medium to long-term stance of fiscal policy," be said.

National output is growing at or just below its long-run trend rate, but the Bank believes that unemployment has not yet fallen to the point at which it will put serious upward pressure on earnings increases and inflation.

Editorial Comment, Page 15



### Container port plan may be scuppered

By lan Hamilton Fazey

Plans by the Edinburgh-based Forth Ports to build a £20m (\$31.4m) floating stage at Bir-kenhead, near Liverpool, are likely to be sunk this afternoon. The stage would have started a fierce battle with Mersey Docks and Harbour Company for a share of a growing Irish Sea trade in container

The proposal, which is allied to a dockside science park. office and student residential development at Twelve Quays on the Wirral's Mersey waterfront, needs about £9m of subsidy from the EU.

However, Mersey Docks has already started work on a rival £16m scheme on the Liverpool side of the river and announced in July that it was not seeking a snhsidy from public funds. This forced a technical committee of public and private sector representatives - which advises how Merseyside's \$630m of special EU funding should be spent - to order a study of markets to see if there was room for both.

The result will be presented to the technical committee today and is understood to say that the market can support only one floating stage for roll-on, roll-off freight in the Mersey at present. Since EU money cannot be used to subsidise redundant capacity -and the ports of Holyhead, Strangaer, Heysham and Fleetwood are also competitors the committee is likely to have no option but to reject Forth

Eurotunnel, the Angio-French operator of the Channel tunnel, would increase its profitability by cutting prices below the ferry operators, says an academic report.

In response the ferry companies would "find it hard to offer prices which can compete and still cover their overhead costs", it says. Eurotunnel will today announce details of its new price brochure, to start in lanuary, which is thought to contain a wider range of fare categories and some incentives to boost winter traffic.

A more sophisticated pricing structure is part of Eurotunnel's attempt to step np the war with the ferry companies on the cross-Channel route and force them to reduce capacity. the cross-Channel market has

deepening financial crisis, which led it to suspend interest payments on £8bn (\$12.5bn) of debt. Such a strategy would also

be in line with the recommendations of the study. carried oot by Mr Stefan Szymanski, a senior lecturer at Imperial College Management School. His report, Rational Pricing Strategies in the Cross-Channel Market, will be published this month in Transport Policy, an academic

Using published data from Eurotunnel and the ferry companies. Mr Szymanski concludes that, from January 1994 Eurotunnel's pricing strategy has been to charge a premium of about 20 per cent for a weighted average standard return fare across Mr Szymanski, who bas

Eurotunnel, says that the basis for this premium has been the Channel tunnel operator's conviction that its service is more attractive than the ferries. This means that if Eurotunnel and the ferry operators charged the same price, the tunnel operator would have a dominant market share.

The study concludes that if, as is likely, Eurotunnel is a relatively mattractive service. "rational pricing means charging lower prices than

those already announced".

It says that "the reason in general Eurotunnel can generate higher profits by setting low prices is that by doing so it can ntilise its enormous capacity". The less attractive Eurotunnel is in relation to the ferries, the more it must cut its prices in well as its low operating costs.

### Eurotunnel advised to | BA chairman warns of undercut ferry operators 'desertion' of Heathrow

**Aerospace Correspondent** 

If Lendon's Heathrow Airport fails to get a fifth terminal, air travel in the south-east will be so congested by 2010 that about 30m passengers will he forced to fly from other locations, Sir Colin Marshall, the chairman of British Airways, said vester-

day.

Sir Colin told the Terminal Five public inquiry that BA would have to try to establish a second base in continental Europe if Heathrow was refused permission to expand. This would be difficult as the higgest Continental airports were already dominated hy

European carriers. The public inquiry, which is chaired by Mr Roy Vandermeer QC, started hearing evidence in May on proposals by BAA. the airports group which owns Heathrow, for building the new terminal.

BAA says Terminal Pive row's success for nearly would increase Heathrow's capacity from 50m passengers a year to 80m.

Opponents of the terminal. who include environmentalists and local authorities, say increased noise and traffic would blight the lives of surrounding communities.
Sir Colin said yesterday that

the introduction of bigger air-craft meant that the additional passengers could be carried with only a small increase in

He said there would be no need for an increase in night flights nor for a third runway at Heathrow.

Sir Colin told the inquiry that if Heathrow did not expand, passengers would increasingly travel to Frankfurt, Paris and Amsterdam to catch connecting flights, rather than to London.

"The historical factors which have contributed to Heath- airport, be argued.

50 years, such as the UK's links with old colonial territories and London's favourable geographical position relative to the USA, will be insufficient to sustain the airport's position into the 21st century." he

Sir Colin expected the international aviation market to be dominated in future by a small number of global carriers in each market

He said Europe would have room for only two, or at most, three global airlines. Each would operate from an airport

While BA would expand its operations at Gatwick, that airport could never be as important as Heathrow because It was too far from the main markets in south-east England, be

This was even more true of Stansted, BAA's third London

### | Consultants win more income overseas

By Andrew Taylor, Construction Correspondent

British consultants generated £1.6bm (\$2.51bm) of overseas income last year - almost 7 per cent more than the £1.5bn earned in 1993, according to a survey published yesterday.

The study by the British Consultants Bureau reported that for every £1 of international work awarded to consultants, a further £10 was won by other British compa-nies in follow-up orders for construction, materials, operating and service contracts.

it added: "The ratchet effect meant that Britain won at least a further £16hn of export orders in 1994 as a result of the endeavours of consul-

The survey showed that British firms had worked in all but five countries last year. The biggest demand for British consultants had come from Russia, Hong Kong and China. Nearly balf of all the fee income had been earned in the Asia Pacific region, with a further 23 per cent coming from the Middle East and North Africa.

Engineering consultants had made an important breakthrough in Korea, a market which had been "effectively closed to foreign consultants

and contractors."

Rendall, Palmer and Tritton had won a film contract to advise on the reconstruction of the Songsn Bridge in Seoul which collapsed last year with the loss of 32 lives. Mott Mac-Donald was advising on the construction of a another new bridge across the River Han in

According to the survey, the areas of international work in most demand from British consultants were project management, followed by environmental impact studies, drainage and sewerage projects, economic studies and work for tonrism and leisure projects. Mr Colin Adams, Director of

the RCB, said that the figures showed Britain's consultants are continuing to be very successful in winning assignments throughout the world, despite ever-increasing competition.

"A striking example is that

#### Car parts sector aims to close gap with Japan By John Griffiths Industry opening a sponsorship office based in Birmingham to provide aid ers on average operated at quality lev-UK component suppliers to Nissan ish counterparts in best-practice techels 100 times worse than best-practice have already moved much closer to apanese plants. Japanese quality and productivity Mr Ian Gibson, chief executive of standards than the benchmarking The second stage of a joint and advice to component companies The initiative follows a two-year DTI-backed project, "Learning from government-industry initiative to • The DTI providing "pump-primclose the yawning quality and produc-Japan", in which the managers and Nissan's UK "transplant" operations may indicate. at Sunderland, Tyne and Wear, told an industry forum opening the initiaing" funds of undisclosed size to sup-port "focus groups" of supplier comshop floor employees of a dozen tivity gap between the UK's £15hn smaller UK components companies

(\$23.5bn) annual turnover car components industry and its Japanese counterpart was launched yesterday by Mr Tim Eggar, industry minister.

The move is aimed at helping companies improve strategic planning, product development, manufacturing performance of their own suppliers.

panies representing a complete supply chain - from raw materials to fin-Ished components - which will identify cost savings and other improvements to the supply chain. The Society of Motor Manufactur-

partner in the initiative, recruiting expert automotive engineers from around the world to train their Brit-

spent time with Japanese suppliers in order to improve productivity and

The project took place against the background of benchmarking exercises undertaken jointly by consultants Andersen Consulting, Cambridge University and Cardiff Business School's Lean Enterprise Centre, which found that UK suppli-

tive in Birmingham yesterday that smaller, so-called second and thirdtier suppliers - those supplying big components groups such as Lucas Industries rather than vehicle makers directly - were prime targets.

with some conclusions of previous benchmarking exercises. He insists launch nearly 700 companies have that the best first tier - or direct -

There is considerable concern among vehicle makers, however, that a swathe of smaller suppliers is fall-tog increasingly behind the quality and productivity standards needed to

assure them a future.

The first phase of the initiative was launched in April last year, mainly | Reconstruction and Developfor components companies. Since its

of the European Bank for consultancy contracts are



Economic liberalisation carries obvious rewards. And less obvious risks. Unfamiliar freight problems may be the least of vour headaches. Import regu-

lations can be more trying they're frequently just one of the tools for discouraging foreign competitors. You may have had some funny experiences. And

some that are not particularly funny. There's one area, at least, that you shouldn't have to worry about - risk and insurance problems. As a leading multilocal

insurance group with a longestablished local presence in over fifty countries we can put your mind at ease, because we're familiar with these countries' polit-

ical, legal, economic and technical norms, as well as customs and traditions. Above all, we are experts in large-scale multinational risk management solutions.

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### Governments closer over Irish arms

By John Murray Brown in and John Kampfner in London

prospect of breakthrough in the stalled Northern Ireland peace process appeared to increase yesterday as the Irish and British governments indicated differences over a proposed arms commission had narrowed.

Mr John Bruton, Irish prime minister, is understood to have proposed in a leaked letter to Mr John Major that their postponed summit be reconvened in two weeks

The summit, originally planned for early September, was postponed by the Irish after Sinn Fein threatened that the creation of any body designed to secure the IRA's "surrender" would jeopardise the ceasefire.

In the following weeks UK officials reported slow progress with their Irish counterparts as both sides sought a new choice of words.

"What we're doing is trying to reformulate the wording of It will then precede Presi- the commission's remit to

cial said.

But Mr Bruton's message to Mr Major, sent shortly before the two met in Jerusalem at the funeral of Mr Yitzhak Rahin, the assassinated Israeli prime minister, was warmly welcomed by British ministers. Mr Bruton said the two lead-

ers should use their summit to

announce a target date for allperty talks. In an intriguing concession, he said such talks might be delayed for six weeks after the proposed arms body, to be

dent Bill Clinton's visit to London, Belfast and Dublin at the end of the month.

make it vague enough for it to be acceptable to everyone. It's extremely hard going," an officerations. Such a "quarantine erations. Such a "quarantine erations." period" would give the British and the Ulster Unionists time to assess Sinn Féin's sincerity in working with the commis-

> Both governments have said they are committed to tha "twin track" concept - the establishment of a commission roughly coinciding with the start of substantive talks with the Northern Irish parties, to prepare the ground for all-party negotiations.

Contacts between Mr Bruton

be stepped up in coming days with a series of telephone calls. The Britisb-Irisb liaison group met in London yesterday, with Irish officials suggesting the differences were due to language rather than strategy. But nationalist concern at the lack of progress was underlined in separate press conferences yesterday by the Social Democratic and Labour party and Sinn Fein. Mr John Hume, the SDLP

an IT strategy for government because that would cut into

the independence of depart-

ments," he said. Nevertheless he welcomed the formation of

the new 'proactive' unit, even

though its membership and

terms of reference have yet to

One official acknowledged

the civil liberties issues of hav-ing a plethora of private infor-

mation on one card, but said it

was possible to keep the details

separate.
"The system could be

designed so that an official in a

benefits office would not be

able to find out about your

driving record, or whether you

had been abroad recently," he

the best way to keep the infor-

mation secure is to keep it on

separate pieces of paper or dif-

ferent computers - our view is

that a smart card can be a

A magnetic swipe card, of

the kind planned for the bene-

fits agency, would cost around

10 pence to produce, while a

smart card with microchip

"The government could push costs down, if you had 30m or

40m people all using the same card," the official said. "The

benefits for British industry

would also be significant."

Companies like Siemens and

GPT would be well-placed to

take on such work.

more secure means of achiev-

ing that objective."

could cost £5,

"The current thinking is that

be decided.

said.

leader, called on the governments to announce the start of all-party talks "no later than" November 30 - the day Mr

#### UK NEWS DIGEST

### Delay to new governance committee

Formation of the successor to the Cadbury committee, to examine corporate governance in the UK, has been further delayed because of difficulties in recruiting members and debate over its remit.

An official announcement is now not expected until next month and the committee will not begin its two-year study, expected to be limited largely to reviewing the first committee's work, until January.

Discussions about the committee's remit and membership, led by Sir Sidney Lipworth, chairman of the Financial Reporting Council – the standard-setting body for the accountancy profession – are being conducted under conditions of strict secrecy.

Advisers to the council, which is co-ordinat-

ing formation of the committee, say that persuading a business leader to chair the com-nittee has proved "very tricky" following the problems experienced by Sir Richard Green-bury, chairman of Marks and Spencer, while chairing the Greenbury committee's investiga-tion into executive pay. Two individuals have already turned down the chairmanship of the successor to Cadbury, and a "leading industrialist" is still considering whether to take up

#### Accountancy regulation model welcomed

Britain's second biggest accountancy body yes-terday welcomed the model for professional regulation put forward by the Common's Treasury and civil service committee in its report on financial services.

The ACCA, the body for certified accountants, said it supported statutory regulation with the involvement of practising accountants. The ACCA has suggested an independent supervisory body as a model for the profession. The Institute of Chartered Accountants in England and Wales, the leading regulator, is continuing to develop its plan for a Public Oversight Body for the profession. Jim Kelly, Accountancy Correspondent

#### Pay dents nurses' morale

Nearly two-thirds of nurses have considered eaving the National Health Service in the past year, according to a survey which will be presented today to the independent body that sets

national levels of pay for nurses, The survey was commissioned by Unison, the public services union, which will urge the pay review body to recommend a national award of at least 8 per cent next year.

Dissatisfaction over pay was one of several reasons given by nurses for falling morale. Unison, which represents about 240,000 nurses,

said its survey showed a steep increase in the numbers considering leaving nursing - up to 62 per cent compared with 48 per cent in 1993 and 59 per cent in 1994. Lisa Wood

### Travel trade cuts flights

Up to 50,000 tourists could face changes to their holiday plans next summer, as the travel trade cuts flights and accommodation to avoid being left with unsold holidays.

Thomson, the biggest holiday company, confirmed yesterday that with bookings running about 25 per cent below last year, and with little prospect of recovery before Christmas, it was reducing capacity for next year. Changes to flights and hotels could mean disruption for up to 50,000 people who have already booked holidays, but Thomson promised to compensate those affected.

With other operators which announced capacity reductions of between 8 per cent and 15 per cant in September, Thomson had already planned to offer fewer holidays next summer after it had to sell 20 per cent of its bolidays at late discount prices this year. Neil Buckley

#### Plan 'may worsen racism'

Non-whites who apply for social security bene-fits are subject to widespread racism that will get worse under proposed changes to the

immigration law, according to a new report.

The study, released today by the TUC, says that blacks and other ethnic groups are subject to "both operational and structural racism" in the benefits system. It says that income support claims take longer to

process than for whites and those applying are required to supply more supporting evidence.

It warns that new training for social security officials to identify illegal immigrants, recommended by Mr Michael Howard, the bome secretary, as part of immigratioo reform, would exacerbate racism.

#### Visitor numbers increase

The number of visitors to the UK has more than doubled in the past 20 years to 21m visits last year. However, the increase in Britons going abroad has been even more rapid, it trebled to just under 40m trips last year from 12m in 1975. This bas led to a growing deficit on travel in the balance of payments of £4.4bn at the end of last year.

The majority - 69 per cent - of Britons go abroad on boliday. Only 14 per cent of visits were for business. But 43 per cent of overseas visitors' trips to Britain last year were for a boliday and 24 per cent for business.

According to Travel Trends, a new publica-tion from the Central Statistical Office, British women going abroad spent less than men but tended to stay a day longer. Only women under the age of 24 spent more than men abroad.

The most popular destination for Britons was France but they stayed longer and spent more in Spain, the second most popular destination. Visitors from the US were the largest group to Britain last year accounting for more than 15 per cent of visits. The most popular holiday destination for visitors to Britain was London and the least popular, the Isle of Scheherazade Daneshkhu

### Tories suffer further blow to bruised morale

By Kevin Brown and John Kampfner

Prime Minister John Major's hopes of a recovery in the gov-ernment's standing in the wake of the Conservative conference were blunted yesterday by the resignation of the foriea' head of communications after a row with the party chairman.

The impression of renewed turmoil was also deepened by a leaked letter from Mr Peter Lilley, social security secretary, warning that proposed cuts in departmental running costs would have a "devastating" impact on the benefits system.

In unusually robust comments on the public spending round, Mr Lilley told Mr William Waldegrave, chief secretary to the Treasury, that proposed cuts in the department's £4hn (\$6.28hn) running costs "fill me with despair".

Mr Lilley's letter, leaked to Mr Chris Smith, shadow social security secretary, reflects the ferocity of cabinet debate over spending cuts as Mr Kenneth Clarke, the chancellor, tries to find room for Budget tax cuts. Tha government has suffered

two devastating blows this week. On Monday, MPs voted full disclosura of private presentation.

income. On Tuesday, the court of appeal freed four husiness-men convicted of shipping arms to Iraq because documents were withheld from their trial at the request of ministers.

Party morale, already dented hy opinion polls showing Labour nearly 40 percentage points ahead, will be seriously damaged by the resignation of Mr Hugh Colver, head of communications at Conservative central office.

He is understood to have decided to go after demands for a more aggressiva approach from Mr Brian Mawhinnay, who has carried ont a far-reaching reorganisation of Central Office since becoming party chairman in July.

"He clearly feels his talents, considerable though they are, are not best suited for handling the run-up to the general election. I disagree, and I told him that was my view, but he made his decision and I respect it." Mr Mawhinney said.

Mr Colver, a top public relations professional with high level exparience at British Aerospace, tha Ministry of Defence and Downing Street, was appointed only six months ago as part of a determined against Mr Major'a advice - for attempt to bolster the party's

### IT review could lead to citizens' transaction card

By George Parker and Paul Teylor

The drive by British Deputy Prime Minister Mr Michael Heseltine to bring the government's computer systems into line could pave the way for a new "citizens' smart card", offering access to a wide range

of transactions with the state. Mr Heseltine has ordered the creation of a 10-strong information technology team insida the Cabinet Office to make sure all government departments usa compatible computer technology and to oversee the £2.5bn (\$3.925bn) a year the government spends on IT.

Some government computer advisers believe his initiative could lead within seven years to individuals carrying a single smart card, containing a microchip which would store a wide range of personal information. The card could then be used

for benefit claims, driving licence details, and proof of identity. It could also be used as a charge-card to access government information on the Internet, such as reports of parliamentary debates. Such a card is currently out of the question, since each gov-

ernment department uses its own computer systems. There are 150 government departments and agencies whose IT systems have been developed at different times, often using incompatible hardware and software.

The problems posed by this diversity emerged earlier this year when the introduction of the new Jobseekers Allowance was delayed by six months, because computers used by the benefits agency and the former employment department were incompatible.

Ministers considered the introduction of a multi-purpose smart card earlier this year in a cabinet sub-committee bnt decided to put the idea on bold. They feared it could delay the introduction of two new cards: a social security benefit swipe card and a photo-bearing driving licence.

Mr Heseltine and the minister for public service. Mr Roger Freeman, want to revive the idea. "What we need is a central initiative to make sure we don't go into the 21st century walking around with wallets that are full of different smart cards," Mr Freeman said. Mr Freeman yesterday con-

firmed the creation of the new Central IT Unit, based in the cabinet office, which will design a strategic approach to IT across government. However Mr Ray Dibble, director of the Government

Centra for Information Systems (CCTA) which advises government agencies and departments on the use of IT, expressed doubts shout whether a centralised government IT strategy was work-

"I do not think we will see



FINANCIAL TIMES



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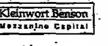
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# THE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge, particularly in the fields of industrial policy, third world development and the environment.

In his memory a prize has been established to provide an annual study/travel grant to enable the recipient to take a career break.

In this, the fifth year of the prize, the Trustees are inviting applicants to write A Letter from a European City focusing on a feature which enriches people's lives and explaining how it might be transferable to other European cities. The 1996 prize will be worth not less than £3,000.

Applicants, aged over 25, of any nationality, should submit their Letter of up to 800 words in English, together with a brief c.v. and a proposal outlining how the award would be used to explore the theme of the Letter further. Please keep David Thomas's interests in mind when writing both the Letter and the proposal. The award winner will be required to write a 1500 to 2000 word essay at the end

of the study period. The essay will be considered for publication in the FT. **CLOSING DATE JANUARY 5 1996** 

> **APPLICATIONS TO:** ROBIN PAULEY, MANAGING EDITOR THE FINANCIAL TIMES NUMBER ONE SOUTHWARK BRIDGE LONDON SE1 9HL



Forget about the excitement of sciendiscovery Much laboratory work is boring and repetitive - for exampla, endlessly transferring a few drops of liquid from

one vessel to another – and therefore well suited to automation. Robots are making rapid inroads

into the world's laboratories. They are being used both for groundbreaking research - sequencing human genes and discovering new drugs - and for services such as quality control in the water industry and clinical testing in medical

There are several specialist lab robots such as those developed by Amersham International, the UK life sciences company, for molecular biology and genetic research. Labo-ratories involved in large-scale gene sequeocing, auch as Généthon in Paris and The Institute for Genomic Research in Maryland, use dozens of robots to help chop up and reas-semble stretches of DNA.

But many labs bave chosen instead to adapt industrial robots. For example, North West Water's new £20m Lingley Mere laboratory in Warrington - one of the UK's biggest automated labs - uses 11 articulated robots manufactured in Canada by CRS Robotics of Burlington, Ontario, and snpplied by Affordable Automation of Manches ter. There are also 10 gantry robots from various sources for more wide-

"We focused on industrial robots because we have a very beavy workload - about 3m tests per year - and we oeed high reliability," says Robin Andrew, North West Water's head of laboratory services, "Our robots might be seen in another lifa screwing wheel nnts on to cars or grinding drill tips."

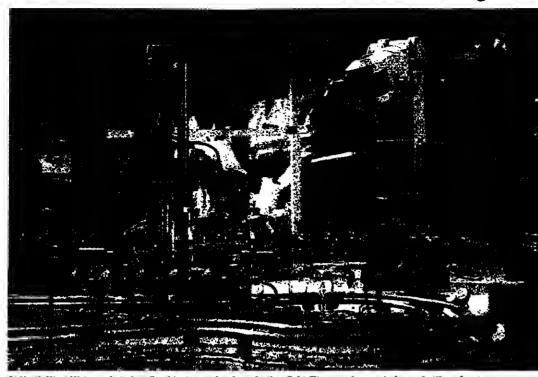
At Lingley Mere, the CRS robots have been adapted successfully to handle objects ranging from feather-light filter membranes to heavy hottles of water. Inevitably, though, there have been a few problems.

In the waste water area, for instance, a robot transfers samples from hottles into grey plastic bea-kers for chemical and biological testing. "We started off with softer beakers but the robot arms were tending to squash them, so we had hard beakers custom made instead," Andrew says.

Every day about 3,000 glass and plastic bottles reach Lingley Mere from all over north-west England, containing a wide variety of samples from drinking water to sewage. Each is bar-coded prior to arrival and dispatched on an automatic conveyor to the appropriate testing

Clive Cookson and Daniel Green on the scientific processes made simpler by automation

### Robots invade the laboratory



ment have been bedding in for several months. A key step took place last weekend when the main data system, built on a Hewlett-Packard computer, went live; it handles and stores 500 megabytes of information - equivalent to about 1,000 full-length books - per day.

North West Water says that, when the system is fully opera-tional, 85 per cent of tests at Lin-gley Mere will be carried out automatically, leaving the most complex and difficult 15 per cent to be done by human analysts

Andrew says it is important. when automating a laboratory, not to be carried away by the technology. "We had the option of installing a machine vision system in the microhlology lab to identify growing colonies of bacteria, but we decided that would not be worthwhile because we only see one or two colonies a day, at most, and The robots and associated equip- they are easily identified by human

The investment in Lingley Mere -£10m for the equipment including robots, £5m for the computer system and £5m for the building enabled North West Water to replace 28 small labs acattered around the region, employing 260 analysts, with a central facility employing 100 analysts. The net saving in operational costs is estimated at more than £2m a year when compared with a manual alternative. At the same time, the company says it has improved the speed and reliability of its testing, so that potential water quality prob-lems can be identified and tackled more quickly.

A similar desire for speed and productivity is driving the introduction of robotics in pharmaceutical research. Companies are taking on robots with enthusiasm in a number of areas but particularly in the early stages of drug discovery.

The central activity here is "high throughput screening": testing as many potential drugs as possible for activity against blochemical targets, in an effort to find molecules that show enough promise to be developed further for testing on animals and then people

The recent improvement in screening rates is staggering. Zeneca of the UK, for example, screened 165,000 molecules in the 16 years to 1992, when it began to automate the process with the help of robots. In 1992 it screened 222,000 compounds. Now it is screening 345,000 a month. Bob Hertzberg, associate head of

biomolecular discovery at Smith-Kline Beecham's US research centre, reports a similar acceleration. "Our throughput has increased between 10 fold and 50 fold over the past three years, depending on how you measure it," he says. "Three years ago, robotics for the

laboratory were in a very early stage of development; we may have heen behind other industries in the adoption of robotics," Hertzberg says. "The past three years have been very important in getting good quality robots out to the labs."

Two main classes of robot are used in drug discovery:

Small workstation robots prepare compounds by weighing, mixing and dissolving solid and liquid ingredients. A few drops of each compound are put into a "microplate", a plastic tray with 96 little wells on it, with an automated "pipette" - a high-tech version of the kitchen implement used to suck up oven juices and baste roasting

• Larger robots with more elaborate articulated arms - and sometimes running on rails - integrate the workstations and other pieces of lah equipment. For example, they may move microplates into incubators, where they are heated for a fixed period, and on to the inspec-

Robots are also playing a role in the hio-analytical area of pharma-ceutical research. After promising compounds have been identified, they must go through a battery of laboratory tests to assess their tox-icity and behaviour when broken down in the human body. Robots can help to transfer samples to and from the different specialised detectors looking for trace materials that

pound is in the body. They play a part too in dosage form testing, later in the drug development process. Once a drug is ready for use in people, dissolution rates from alternative tablet types must be measured. Different stomach environments must be simulated for each part of a hatch throughout the proposed shelf-life

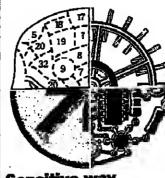
of a new medicine.

Zymark of Massachusetts, a leading US maker of laboratory robots, points out that the Food and Drug Administration requires such tests to be done in triplicate - another incentive to antomate the process. Dosage form testing can be combined with quality control and is not limited to tablets: aerosol inhalers must be similarly tested.

The next big application of robots in the laboratory may be in combinatorial chemistry, a new technique for generating a previously unimaginable diversity of different molecular structures. Miniature robots, linked to powerful information handling systems, will be required to put together the different combinations of molecular building blocks and associated identifying tags that are required for combinatorial

The series continues next month with a look at robots in the motor indus-

### Worth Watching · Vanessa Houlder



#### Sensitive way to beat fraud

A mass spectrometer 100 times more sensitive than its predecessors has been designed for applications that include combatting fraud involving imitation perfumes and falsely

labelled wines.
For example, the spectrometer can match the trace amounts of the metals found in wine with the trace metals in soils from the

wine's supposed region of origin.
The most important application
of the instrument is likely to be in
screening the purity of chemicals
used in the electronics industry, particularly as the risk of damage from trace metal contamination is increasing with the decreasing size of microchips.
The machine, which has been

developed by UK-based Fisons instruments and installed by AEA Technology, the commercial division of the UK Atomic Energy Authority, is the first of a new generation of analytical instruments capable of detecting fewer than 10 parts per 1018 (a million billion).

The instrument, which uses argon plasma at about 8,000K to ionise atoms, discriminates accurately between atoms of a similar weight. The machine is so sensitive that samples have to be prepared in a "clean room" to avoid contamination.

AEA Technology: UK, tel (0)1235 436581; fax (0)1235 436656.

#### Layout solution for Web documents

Distributing electronic text files on the world wide web is becoming a popular alternative to publishing paper versions of locuments. But there have traditionally been problems in creating versions of documents that maintain the layout and graphical elements of the original, Xerox Corporation has addressed the problem with

DocuWeb, a software product that allows users to view and print digital documents, including journals, maps and photos via the world wide web. It has been targeted at educational. government and commercial

Xerox: US, 716 423 5090; fax 716 427 4267.

#### Sheep take out some of the sting

Victims of poisonous snake bites in Nigeria fill as many as one in 10 bospital beds. Now the government has embarked on a three-year project to introduce an approach for combatting snake

hites based on sheep's antibodies. Therapeutic Antibodies, which is based at St Bartholomew's Hospital in London, Nashville in the US and South Australia, makes the antivenom by injecting venom into sheep, rather than

The sbeep, which are bled monthly, produce Y-shaped antibodies which are treated with papain, an enzyme that digests part of the molecules that cause the unwanted immune reaction and divides the remainder into fragments small enough to be absorbed easily and distributed within the body. The antivenom is freeze-dried into a stable white power, which can be dissolved in water and injected intravenously.

Clinical trials have found the antivenom to be more effective and have fewer side-effects than conventional antivenom. Therapeutic Antibodies: UK, tel (0)171 2512034; fax (0)171 3360397.

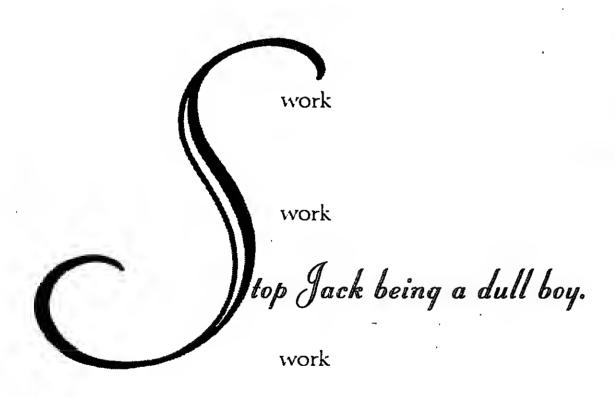
#### Sharp's recipe for keeping rice warm

When rice is kept warm for too long, it becomes dry and yellow and acquires an unpleasant taste because of a reaction by the rice's amino acids and sugars. The problem is usually caused by the grain being kept at too high a

temperature.
Sharp, the Japanese electronics company, believes it has cracked the problem with the introduction of an optical rice-cooker that can keep rice at the ideal temperature of 70°C-73°C for 24 hours. It achieves precise controls and evenly spread heat using a halogen beater with a lightcollecting film coat that absorbs energy evenly through its surface. Sharp Corporation: Japan, tel 66253007: fax: 66281667.

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Theatre

'Mack

and

Mabel'

non-stop outburst of high energy. This is good news; and

what is better news is that the energy pours first and fore-

most from the music.
The brassy, pulsating, impu-

dent overture, a great success in its own right, tells you

straightaway everything you

need to know about the spirit of the show to come.

The tale of Mack and Mabel is about the nearly irrepressible vitality of two especially mettlesome characters, the

silent movie director Mack Sennett and his star comedi-

Sennett and his star comedi-enne Mabel Normand; and when finally their energy is repressed the show reaches its end. Energy, high spirits, vitality: Mack and Mabel reminds us that these are what musicals should be all about The cheer near in 1974.

about. The show, new in 1974,

is to the book of Michael Stewart and the music and lyrics of

Jerry Herman, Vigorously

championed in subsequent years by David Jacobs, and its overture brilliantly chorec-

graphed by Torvill and Dean, it has been due for revival, The director Paul Kerryson has seized the opportunity; his staging comes to the Piccadilly Theories from the Haumarket

Theatre from the Haymarket

Theatre, Leicester. There is plenty to praise about his work

here, and in particular the fact

that he focuses everything on the two lead players. Nothing

puts either Mack or Mabel into

Ironically, the show keeps

telling you why Howard McGil-

lin is wrong for the role of Mack. Mack is tough and brisk and comic; the song "I won't send roses" sums up his treat-

ment of romance. McGillin, by

contrast, looks the way poets

should look; serious poets, I

mean; and he speaks and sings

the shade.

will of beens and bubble

ing with sentiment, the musical *Mack and Mabel* is an almost

### Comedy enters a whole new dimension

ilm directors are actor wants to wear an eye-doormen between patch for a love scene. Your reality and illusion. Their job is to help people in and out of vehiclea, to make aure the swing doors are working, and to shoo away tramps, idlers and impostors. Most importantly they must never fall asleep on the job, literally or metaphorically. If they do well, we see what happens in Tom DiCillo's wonderful *Living* In Oblivion a comedy about movie-making.

Actually, it is the comedy about movie-making, at least for our disoriented, flaky nineties. The film began as a short but grew in length as DiCillo (who made the limpidly offbeat Brad Pitt film Johnny Suede) found the gags, conceits and lunatic resonances about

rinema multiplying.

The cast multiplied too: from the psychobabbling young director (Steve Buscemi) - "It's all there," he tells the actors, "you just have to let it out" to the temperamental gay cameraman (Dermot Mulroney), tha vain, dimwitted male star (James LeGros), the distressed leading lady (Catherine Keener) and the vertically challenged extra in an overloaded dream sequence smoke, apples, mother figures - who complains he is a victim of dwarfist screenwriting.

They are all trying to make a low-budget underground movie. But the revolving door between fantasy and reality plays np so badly that our director/hero either cannot turn it at all or cannot stop it. Signalling the first is the borribly funny opening sequence in which the actress has to keep re-taking the same speech. Microphone dangling in frame, then focus loss, then noises off - the girl slowly succumbs to a baroque array of tics, trembles

\* 107 = 10819

and freeze-ups. The second condition - nonstop revolve - is apparent in the film's free movement between reality and dream scenes. We keeping thinking we are in the one but discover we are in the other. There is no refuge, of course, in either. For DiCillo's characters, film-making is a dimension where anything can happen and none of it is good news. Your main

ence.

main actress once did a shower scene with Richard Gere and never lets anyone forget it. Worst of all: when your paid actors fail to deliver the goods, your mother comes in, hits her chalkmarks, knows her 'lines' and advises on camera placement. And she is not even in the film.

LIVING IN OBLIVION Tom Di Cillo

TO WONG FOO, THANKS FOR EVERYTHING! JULIE NEWMAR Beeban Kidron

PANTHER Mario Van Peebles

WHEN NIGHT IS FALLING Patricia Rozema

Dicillo places his own camera in the simplest, most sub-versive spots. Pretending to be a guileless observer, its flat-on viewpoints and playblock colours suggest a 1950s innocence. Somehow, though, it comically X-rays every character'e hopes, terrors and vanities. Cinema after all, is about people trying to dragoon the rebelliously accidental into the artful.

Living In Obtivion is a hun-

dredth birthday tribute to a form that has spent much of its history - and will no doubt spend much of its future - feeling it is lucky to be alive at all.

To Wong Foo, Thanks For
Everything, Julie Newmar must have begun as ona of those foolproof ideas everyone instantly says "Yes" too. Wa almost hear the chortles

around the smoke-filled confer-

ence table. "Three macho guys in drag? I love it!" "Yuh, we got Pat Swayze, Wes Snipes and Johnny Leguizamo, and we see 'em pulling on the net stock-ings and hitching the bras..."
"Hah!!" "And they put on lip-stick and wiggle and simper." "Don't, you're breaking me up!" "And they get stuck in this one-horse town on the way



Horribly furmy: Catherine Keener and James LeGros star in 'Living In Oblivion'

to some destination we'll make up...." "Hollywood." "Right, Hollywood. And they do little dance numbers and songs and a couple of the local guys take a romantic shine to them..." \*Great - and do we have pla-glarism insurance against Priscilla, Queen Of The Desert?"

The hit Australian drag comedy is not mentioned in the credits, though it could surely sue for copyright breach. The main or only difference is that Priscilla was funny while Wony Foo isn't. Instead of witty dialogue and well-tuned acting, we have two heurs of flouncing and simpering in which we are expected to guifaw at the mere sight of ection stars Wesley Snipes and Patterly Services and Patterly Servi rick Swayze painting their nails or making moues with their mouths. The debut writer

was Douglas Carter Beane. The director was Britain's Beeban Kidron, who made Oranges Are Not The Only Fruit and who may have longed to haul Jeanette Winterson over to America to give some bite to the sexual ambivalence.

Panther hurtles through the true, or truish, tale of the 1960s/70s Black Panther move-ment. It has all the right cre-dentials. The black director is Mario Van Peebles of New Jack City and Posse; and the screenplay is by his film maker father Melvin, whose Sweet Sweetback Bandaass Song was a cult movie with politicised blacks in the early seventies.

So what went wrong? Almost everything. The cast is overcrowded and undercharacterised: from the truth-based dno of Huey Newton and Bobby

Seale (Marcus Ching, Courtney Vance), who co-founded the Panthers and led their early confrontations with police and political institutions, to the fic-tive hero 'Judge' (Kadeem Har-rison), who panies bravely in centre screen as if trapped between a Spike Lee movie and an Ohver Stone one.

This is JFK mixed with Malcolm X and denied the budget of either. Van Peebles (Mario) tries to run with the handheld camera and quick-cut, kaleido scopic news footage; but the film never out-sprints its own cliches. Every FBI man wears the Kevin Costner glasses from JFK; every enemy of the Panthers - from J. Edgar Hoover downwards - is lit and framed like Satan seen through an acid haze, This is political history for tons will be smart enough to see something else. When Night Is Falling by Canadian writer-director Patricia Rozema is completely weird, but at least it doesn't try to sell us something. Men can't be leshians and straight women presumably don't want to be. So we sit back safely as col-lege lecturer Pascale Bussieres is distracted from her nice-butboring academic boyfriend by lovelorn circus artiste Rachael Crawford. Miss C shoots arrows through windows, res-urrects dead dogs, offers hang-gliding interludes and seduces

simpletons; but most simple-

Miss B under the big canvas of the 'Sirkus of Sorts'. It as if Jean Coctean had directed a script by (let us reinvoke her) Jeanette Winter-

son. One moment the whole

intentions diffusely realised.

Arriving early at the Queen

Elizabeth Hall. I had walked

into a sea of softly mooing

French horns in the foyer - 25

thing seems ineffably silly; the next it catches us up in a lithe, lopsided romantic magic. At the London Film Festival the final week is dominated by

the East, From Hong Kong, Yim Ho's The Day The Sun Turned Cold and Stanley Kwan's Red Rose, White Rose paint powerful pictures of love turning to tragedy in contrasting worlds: snowbound peasant China and sybaritic pre-Communist Shanghai. From China, Li Shaohong's Blush is a bittersweet epic about two prostitutes trying to 'reconstruct' themselves under Mao. And from the nearer East, Iran's The White Bolloon - little girl loses banknote, combs big city, finds life and revelation - bit cult status at Cannes and now shows at the LFF before open-

intentions.

along those lines too. Tall and lean, with deep-set eyes and distinguished American bone-structure, his voice is tremu-lous with feeling; the braying vibrato is, in fact, overdone. But, from the curtain's rise, McGillin gives a star perfor-mance. Caroline O' Connor, by ing in Britain after Christmas. contrast, belongs beautifully to the role of Mabel; and it to her. Webern's would not suit Bainbridge's backward-yearning At first, this Mabel seems to be Bryars' Medea seems a simply a marvellous cartoon strange artefact now, especharacter, with ber absurd cially when played without Dickensian face and the staging. It was his first bright nasal voice with which "opera", earning the inverted she presents "Look what Hap-

> Then, bit by bit, her voice reveals its darker power, and she shows the three-dimensional truth of this character She really is a first-class comedienne, especially in physical terms.

pened to Mabel", her first num-

Warm praise should also go to Kathryn Evans as Lottie; to Martin Johns's designs; and to all of Michael Smuin's choreography. Some of the dialogue is weak and the show does wind down in its last quarter-hour.

The hero of the show, beyond O'Connor and McGillin, is the composer and lyricist Jerry Herman, who has made slight revisions of his show for this revival. His decision to have a chiefly brass orchestra accompany the music gives Mack and Mabel a character all of its own.

Alastair Macaulay

#### Ballet/Clement Crisp

promising Manon - in every sense of the word, since Manon's secret was that she promised so much, as the Abbé Prévost and Sir Kenneth MacMillan tells us - a he gave us, Manon is the most Manon to enchant the men on hewitchingly shown on choreostage and those in the audigraphic terms. She is the most As a young soloist Sarah delicate, most sensuous, rather than sexually charged as is Wildor caught our attention by

Mary Vetsera, or impetuous, the quiet distinction of her like Juliet. dancing, amid flummery and Miss Wildor brings a great deal to the role. She is unfailfluster in Ballet Imperial, her beautiful head, exquisitely balingly intelligent in playing, anced torso, seemed the and her beauty - how well the redeeming feature of a perforgrand clothes become her, how mance. A debut as Juliet was splendid; a first Giselle impres-Boucher-like her amorous poses - justifies every least sive in emotional range. On Tuesday night, Miss Wilaction. If I have a reservation about this early reading, it is dor made her second appearance in the current run of that she does not yet explore all the possibilities of the Monon performances at Covent

dance itself.

She conveys at her first and ease, carrying each scena (as she needed to on Tuesday, when surrounded by a cast of appearance the exact and magical halance between innocence shop-window dnmmies) and sensuality, and the tarsecurely. Her arms and torso nishing of her girlish eagerness

Garden, and was tonchingly

The Royal Ballet has a 'Manon' are ravishing, curving through and round the choreography. but there are delicacies of footwork, sheer prettinesses of money the only protection she understands - is admirably step, which are unexplored. shown. MacMillan delighted in That will come, and then we the character. In the extraordishall have a complete and pary gallery of female portraits lovely portrayal. I do not believe, though, that Manon can survive if it is so

grimly cast. Zoltan Solymosi. splendid partner, made no more than a rough sketch of des Grieux. William Trevitt lacks the charm for Lescaut, who is certainly a mean-spirited brute, but whose physical alture (remember David Wall's irresistible rogue?) is a weapon in his fight for survival. The drunk duet, with a hoyden mis-tress, was no joke. Gary Avis looks too young for Mon G.M.'s choleric sexual drive and social arrogance - a boy doing a man's job. MacMillan'a choreography demands intense emotional playing to shape each phrase of movement and austain the least momant. These performances failed on every count. Misa Wildor deserves better.

here was a flurry of old modernisms to be heard last weekend. From Glasgow on Friday, Radio 3 broadcast a live concert version of Gavin Bryars' 20-year-old "opera" Medea, a case of early, tentative British minimalism (after the Americans). On the South Bank on Sunday, Markus Stenz and the London Sinfonietta gave us crystallina performances of Anton von Webern who was widely thought of m the 60s and 70s as the definitive modernist composer, and also two recent British pieces,

quite different And earlier that day, the pianist Emanuel Ax chose to begin his otherwise easy-onthe-ear Barbican recital with Aaron Copland's 1930 Pigno Variations: tough and spikey, but without doubt seminal. In their cogent, atripped-down economy, they bear comparison with Bartok's 1928 Fourth Quartet; no composer of the time could have failed to hear that something newly rigorous and purgent was going on. Ax brought them to gritty life, with a sure instinct for their crucial rhythmic springs.

#### Music/David Murray

### Old modernisms

The rest of his programme went down pleasantly, with fine musical insights: Schubert and early Brahms (his Second Sonata, less flamboyant than the composer-planist would have made it), and then Ravel's "noble and sentimental" waltz-set - in which Ax identifled the extreme harmonic subtleties with rare precision - as an oblique prelude to familiar waltzes by Chopin and Liszt. Stenz conducted the reduced,

cut-rate version of Webern's Six Pieces op. 6 to as much effect as its meagre chamber ensemble permits. The op. 24 Concerto for nine instruments and the cantata Das Augenlicht, with the intrepid Sinfo nietta Chorus, seemed pristine: coolly balanced and measured, hermetically self-contained transparent but astonishingly dense. That did no favours to Robert Saxton's 1992 trumpet concerto A Song of Ascents, which despite John Wallace elognent advocacy again sounded like fervent, sincere

or 30 of them, in antiphonal groups. That proved to be Simon Bainbridge's contribu-tion, Calls. Echoes and Clouds, to the South Bank's "Contemporary Horn" weekend, devised for and with young players from around the country. It was a sour-of-the-moment offshoot from his new horn concerto Landscape and Memory, which we heard in the concert proper: plangent and melancholy , not really "modernist". but tautened by economical devices like Copland's and Bartok's. Thus it contrives to be both laconic and expansive. with the ingenious addition of a second horn back in the hall ("Memory", perhaps?) which first echoes and then begins to prompt the up-front acloist.

The moorings of the piece are

performed by the Bayerische

■ NEW YORK

 New York Philharmonic: with conductor Yuri Ternirkanov perform Rimsky-Korsakov's "Russian Easter

Festival Overture", Ravel'a "Suite

American Symphony Orchestra:

perform Bruch'a "Odysseus"; 8pm;

Carnegle Hall Tel: 1-212-247-7800

The New York Pops: an evening

Un Ballo in Maschera: by Verdi.

Sweet, Dolora Zelick and Francisco

(1.30pm), 21, 25; Dec 1, 5 (7.30pm),

Conducted by Mark Elder and

performed by the Metropolitan

Araiza; 8pm; Nov 10, 14, 18

li Barblere di Siviglia:

Opera, Soloists Include Sharon

by Rossini. Conducted by Adam

Fischer and performed by the

Metropolitan Opera. Soloists

include Jennifer Larmore and

from Mother Goose" and

Rachmaninov'a "Symphonic

Dances"; 8pm; Nov 30; Dec 1

with conductor Leon Botstein

vith Cleo Laine and John

Metropolitan Opera House

Tel: 1-212-362-6000

Dankworth; 8pm; Nov 10

Avery Fisher Hall Tel: 1-212-875-5030

CONCERT

(2pm), 2

Nov 10

**OPERA** 

Staatsoper. Soloists include Kurt Moll, Gösta Winbergh, Helen Kwon

and Ruth Zlesak; 7pm; Nov 30; Dec

Accordingly, Bryars' music combined repetitive disco-beat minimalism only superficially like the "systems-music" that triggered the American imaginations of Steve Reich and early Philip Glass - with pastiches en passant of 19th-century French opera. Wistful. ambiguous cadences o la Fauré under the press-repeat chatter sudden bursts of dramatic reci-tative d la Cherubini and Berlioz, though with wrenching Viennese Expressionist vocal leaps. This Medea score was bizarre enough to serve Wilson's stage purposes, but as concert-music it sounded thin,

amateurish and unconsciona-

commas because it was written

for a Robert Wilson production

in France, and figured only as

the aural accompaniment to

Wilson's original vision, Wil-

son likes to have up-to-date

securely tonal; serane, detached atonality like bly protracted.

#### PARIS

CONCERT Théâtre du Châtelet Tel: 33-1 40 28 28 40 with conductor Pierre Boulez,

CONCERT Musikverein Tel: 43-1-5058681 ORF-Symphonieorchester: with conductor Dennis Russell Davies, alto Dagmar Peckova, bariton Boie Skovhus perform works by R. Strauss and Hindernith, In honour of

#### and Flach: 6pm: Nov 30

CONCERT National Symphony Orchestra: "Plano Concerto No.4" and

WORLD SERVICE BBC for Europe can be

# INTERNATIONAL

#### AMSTERDAM

**OPERA** Het Muziektheate Tel: 31-20-5518922 Die Zauberflöte: by Mozart. Conducted by Hartmut Haenchen and performed by De Nederlandse Opera: 7.30pm; Dec 1, 4, 7, 10 (1.30pm), 12, 14, 17 (1.30pm), 19, 22, 25 (1.30pm), 28

#### **BERLIN**

CONCERT Konzerthaus Tel: 49-30-203092100/01 Rundfunk-Sinfonieorchester Berlin: conductor Elgar Howarth, the Rundfunkchor Berlin, the Tölzer Knabenchor, soprano Jane Marahali. and barttone David Wilson-Johnson perform Britten's "War Requiem"; 8pm; Nov 10

#### BIRMINGHAM

CONCERT Symphony Hall Tel: 44-121-2123333

 Oslo Philhamonic Orchestra: with conductor Paavo Berglund and planist Havard Gimse perform works by Bibelius, Grieg and Nielsen; 8pm;

#### ■ CHICAGO

She plays with sweetness

CONCERT Orchestra Hall Tel: 1-312-435-6666 Chicago Symphony Orchestra: with conductor Pierre Boulez perform Mahler's "Symphony No. 9"; 8pm; Nov 30; Dec 1 (1.30pm), 2, 5 (7.30pm)

#### **■ COPENHAGEN**

OPERA Det Kongelige Teater Tel: 45-33141002 Il Barblere di Siviglia: by Rossini. Conducted by Andrew Greenwood, directed by Holger Boland and performed by the Royal Danish

Soloists include Guido Paevatalu. Joergen Ole Boerch, Inger Dam-Jensen, Elisabeth Halling, Bradley Williams and Gert Henning-Jensen (from Dec 5); 8pm; Nov 10, 13, 15, 20. 22, 24, 28; Dec 1; 5, 16 (1pm), 28

#### DUSSELDORF

CONCERT Tonhalle Düsseldorf Tel: 49-2:11-8992081 La Stravaganza Köln: with conductor and violinist Andrew Manze perform works by Telemann and

#### ■ HAMBURG

Bach; 8pm; Nov 30

EXHIBITION

Tel: 49-40-24862732 ● Magnum Cinema - Ein halbes Jahrhundert Kino in Photographien: photos devoted to the film industry by Magnum, the Paris' agency founded in 1947. Works by photographers such as Eve Arnold, René Burri, Robert Capa, Elliott Erwitt, Philippe Halsmann and Inge Morath. The major part of the exhibition consists of photos made on the set of John Huston's film The Misfits' starring Marilyn Monroe, Clark Gable and Montgomery Clift; from Nov 10.to

Museum für Kunst und Gewerbe

OPERA Hamburgische Staatsoper Tel: 49-40-351721 Elektra: by R. Strauss. Conducted by Stefan Soltesz and performed by the Hamburg Oper. Soloists include Livia Budal, Gwynath Jones, Luana DeVol, Horst Hiestermann and Harald Stamm; Born: Nov 30

#### LONDON

Barbican Hall Tel: 44-171-6388891 Royal Scottish National Orchestra: with conductor Walter Weller and pianist Grigory Sokolov perform Brahms' "Piano Concerto No.1" and Dvorak's "Symphony No.5"; 7.30pm; Nov 10 Soiti Celebrates Bartók: London

#### Georg Solti, pianist András Schliff, soprano Julia Varady and bass Laszio Polgar perform Bartók's "Plano Concerto No.2" and "Duke Bluebeard'a Castle" (sung in Hungarian); 7.30pm; Nov 30 EXHIBITION

Symphony Orchestra with conductor

**British Museum** Tel: 44-171-6361555 Recent Acquisitions of Prints and Drawings 1991-1995: this display shows some of the gifts and purchases that have been added to the collection of the Department of Prints and Drawings over the past five years, including a double-sided sheet by Marco Zoppo, mada in Padus in the 1450s, and four drawings purchased after the sale from the collection at Holkham In

THEATRE Barbican Theatre Tel: 44-171-6388891 Henry V: by Shakespeare. Directed by Matthew Warchus and performed by the Royal Shakespeere Company, 7.15pm; Nov 10, 11 (also 2pm), 15, 16 (also

Norfolk; from Nov 10 to

Apr 21

The Pit Tel: 44-171-6388891 • The Park: by Strauss. Directed and designed by David Fielding and performed by the Royal Shakespeare Company: 7.15pm: Nov 10, 11 (also 2pm)

#### **■** MUNICH

**OPERA** Nationalthe Tel: 49-89-21851920

#### Die Zauberfiöte: by Mozart. Richard Croft, 8pm; Nov 30 Conducted by Peter Schneider and

 Ensemble Intercontemporain: soprano Susan Anthony and the Deutsche Kammerphilharmonie perform works by Berg, Webern and Schoenberg; 8pm; Nov 10

#### ■ VIENNA

the centenary of Hindemith'a birth; 7.30pm; Nov 10

THEATRE Burgtheater Tel: 43-1-514442960 Die Riesen vom Berge: by Pirandello. Directed by Strehler Brockhaus, Frigerio, Spinatelli, Carpi

### WASHINGTON

Concert Hall Tel: 1-202-467 4600 with conductor Marek Janowski and planist Joseph Kalichstein perform Beethoven's overture to "Earnont". "Symphony No.6"; 8.30pm; Nov 30; Dec 1 (1,30pm), 2

received in western Europe on Medium Wave 648 kHZ (463m)

**EUROPEAN CABLE** AND SATELLITE BUSINESS TV (Central European Time) MONDAY TO FRIDAY

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FT Business Morning 10.00

European Money Wheel Nonstop live coverage until 14.00 of European business and the financial

Financial Times Business Tonight

Midnight Financial Times Business **Tonight** 



Economic Viewpoint · Samuel Brittan

### No, not the next Budget

Fundamental reform of the welfare state is fashionable. But reformers disagree on whether it could be both improved and made cheaper at the same time

As Philip Stephens pointed erations of Labor politicians and that he is mainly guided by the desire to help the disadout on this page on November 7, it is not even worth looking for strategic thinking on the functions of the state in this month's UK Budget. It will be a desperate attempt to trim existing programmes where political resistance is weakest. so that the government can wrongly claim that taxes have been cut - while all we shall see is a modest reduction in their rate of increase. But pre-election budgets are not the end of all thinking. In

the last few weeks I have been present at discussions of reform plans which were seemingly very different, but which have at least some insights in common. One of the sessions related to a new book by James Meade, the British Nobel prize-winning and the price mechanism, using the latter as an instrueconomist. His new publication is entitled Full Employment Regained (Cambridge University Press). While the as the negativism of 16 years of Conservative government, general outlines will be familiar to readers of his previous publications, there are, as of the twins. For instance, be proclaims in his conclusion that the simplified model of always, new insights, policy suggestions and improvements in exposition. The other economic fewer than 21 macroeconomic

reformer, whose ideas were discussed on a recent visit to tional changes. London, is Sir Roger Douglas. He is the former Labor finance minister whose measures to liberalise the New Zealand economy have been a model Effects of tax and benefit for other countries. Douglas has since fallen out with the New Zealand Labor party which was unwilling to continue along this road and has now formed his own political group. Although it so far

the electorate, who knows how much influence it may one day come to hold under New Zealand's new proportional representational sys-Douglas's proposals are con-tained in *Unfinished Business* (published by New Zealand Random House and obtainable

in the UK from Simon Walker

at Brunswick Public Rela-

tions). Douglas still boasts

that be comes from three gen-

vantaged who have not participated in general prosperity. Having represented one of the poorest of New Zealand's constituencies, he insists that the poor are just like the rest of us, responsive to incentives and opportunities and eager to learn and work, if given the

slightest encouragement. Fairly or unfairly this motivation sounds more convincing coming from him than from any Tory or Republican "rightwing radical". There is a world of difference between the approaches of the two reformers. Meade has all his life believed in a

judicious mixture of planning ment of the former. But his reaction to what he perceives has caused him to swing a little towards the planning side his book makes use of no control variables and institu-

The consensus at the Meade meeting was that his proposals presupposed a generosity

Break-even point

Original income

towards some of the less fortunate members of society and those prone to opt out of it, for which the rest of us would have to pay - not only in tax, but perhaps in reduced overall work effort and lower measured national income.

Douglas, on the other hand, wants to roll back the state much further. He envisages a balanced budget after three years of his plan and the total elimination of government debt within 20 years. (So does Meade for different reasons.) Within that period personal income tax and company tax will be eliminated, while other indirect taxes will be greatly reduced. On the other side of the account, government expenditure is reduced in real terms by more than 30 per cent in the first 10 years. Unlike most of those who

talk in this way, Douglas has detailed plans for echieving his results in which he has been aided by number crunching experts. It has to be said however that his treatment is so embedded in the recent political history of New Zea-land and its fiscal system that it would take a team from the British Institute for Fiscal Studies quite a time to assees what they

like. The unit of measurement relates to proportions of average income. The horizontal axis shows original income, from work, property earnings or whatever. The vertical axis amount to and translate them into terms that non-New shows net take-home pay. Someone with zero original

income receives a "negative income tax" payment amounting to, say, one third of average pay. But as he moves back into work, two-thirds of every pound of benefit is reduced for every pound he earns. (The 45 degree line shows what would happen if a citizen kept all of every extra pound he earned. The flatter the net income line, the ateeper the withdrawal or tax rate.)

active government manage-

ment of demand, if only in

nominal terms (cash flow).

Douglas, on the other hand, is

content with the price stabil-

ity framework established by the inflation contracts between the Reserve Bank and

the New Zealand government

and legislation in his country

for a structural budget bal-

thinking in common between Douglas and Meade. Meade

has always insisted that if peo-

ple are to be priced into work,

whether through free market

there must be an adequate

safety net for those whose

earnings in the market place

do not provide a reasonable

standard of living. Douglas

says something very similar, insisting that e Guaranteed

Minimum Family Income

(GMFT) is at the "kernel" of

The chart is a very simpli-

fied attempt to show what an

income guarantee might look

forces or direct intervention

And yet, there is a kernel of

Thus when he is earning one half of average income, be receives nothing from the state and pays no tax. After that a normal rate of income tax is imposed of one third on every pound he earns. Meade also has some higher rates of tax further up the scale, but

Zealanders could understand. Meade'a concerns are differthese are not essential to the ent. He would like a return to

argument.
The Douglas version consists of cash top-ups for households on low income. Unemployment benefit would presumably be financed from the private insurance which he would make compulsory. His arithmetic could well hold. In the UK the great bulk of benefits is devoted neither to the unemployed nor to top-up payments for the low paid, but to payments to the elderly and long-term sick together with universal child

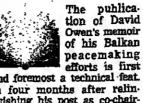
The most important reason why the Douglas proposals point to a diminishing tax bur-den, while the Meade propos-als involve an increasing one, is that Douglas envisages the state partially withdrawing from the traditional welfare state area. He suggests compulsory minimum levels of insurance for health and social security, with the state paying the premiums of the poorest. Education would be financed from vouchers whose value would taper off for the middle and upper income

We have not had an honest debate on whether such ideas are either feasible or desirable One reservation is that if people pay much lower taxes but have to make deductions for insurance, school fees, health plans and the like they are not going to end up with much higher income to spend at their discretion

So we are left with the question of whether people would still feel untaxed income to be theirs, even if they are com pelled to devote some of this income to provision for their own long-term needs. And will this sense of higher income at the margin, if it is there, translate into greater willingness to acquire skills and accept jobs at the going rate instead of contributing to the dependency culture? Despite the enormous emotions and political prejudices involved, these questions are amenable BOOK REVIEW - Edward Mortimer

BALKAN ODYSSEY: By David Owen Gollancz, £20 (CD-Rom standard ed. £25, academic ed. £150.)

### Painstaking progress of a peacemaker



peacemaking efforts is first and foremost a technical feat. In four months after relinman of the International Conference on the former Yugoslavia, Lord Owen produced a text which runs to 367 closely printed pages, covering events up to the Bosnian ceasefire on October 12. These were then printed, bound and distributed within about a fort-

As if that were not enough there is an accompanying CD-Rom - or rather two - produced by a start-up multimedia company. The Electric Company. The standard edition contains the book's full text. with more than 200 "multime dia references" giving background information on personalities and institutions, plus extensive video footage.

But for £150 you can get the "academic" edition which contains the full archive of docu-ments, some of which, such as Lord Owen's regular reports to EU foreign ministers, are hith-erto unpublished. This will surely be e valuable research tool for future historians of the conflict. Its novelty gives it an air of gimmickry today, but I should not be surprised if in a few years such memoirs are seen as incomplete without a

multimedia accompaniment. Both the speed of production and the volume of supporting material bespeak a man desperate to get his version on record. During his three years in the joh, Owen did not get a very good press. Especially in the US, but to a considerable extent also in the European media, he was pilloried as a latter-day Neville Chamberlain, an eppeaser of Serb aggression, a ratifier of ethnic cleansing and an uncritical dupe of Slobodan Milosevic. Serbia's president. Not surpristhose charges, and to marshal evidence in his defence. Perhaps, all the same, he would have done better to take

longer over it, and write a shorter book. His narrative is essentially chronological. It is clear, and has all the hallmarks of being honest. Owen at times is quite hard on himself, for instance in his account of an interview with the New York Times just after the Clinton administration took office. Owen believes this interview "permanently damaged" his relationship with Warren Christopher, US secretary of state, and so helped seal the fate of the 1992 Vance-Owan peace plan to end the war in Peace in Yet he admits them Bosnia. Yet he admits there was "no misunderstanding" between him and the inter-viewer: "His notebook was open throughout dinner. I should not have risked making such comments and I regretted

it deeply."
If there is deception, it is self-deception. Owen's strategy relied heavily on splitting the Serbs, which meant convincing Milosevic that his interests diverged from those of the Serb leaderships in Bosnia and Croatia. That looks more plau-sible since Milosevic's refusal this August to intervene in Krajina, the rebel Serb region in Croatia. But how far he can be relied on once sanctions on Serbia are lifted remains an

The book's overwhelming feature, however, is a weight of detail under which the reader at times feels close to suffocation. That is not just the book's problem, it is Yugoslavia's. The sheer complexity of the issues makes simple solutions impossible, yet whoever explains this appears to be making excuses for the most appalling atrocities, or at least for passive acceptance of them.

There is a certain irony in Owen falling victim to this syndrome, since he is himself by temperament a simplifier, impatient with detail, eager for action and suspicious of objec-

was loathed by most British diplomats when be was foreign secretary in 1977-79, yet in the last three years It sometimes seemed that British diplomats were his only remaining admirers. He approached Yugoslavia stop ethnic cleansing, but later found himself arguing passionately against them.

Yet it is not true that he ever ruled out the threat, and if necessary the use, of external force as one of the instruments to bring about peace. Indeed his greatest bitterness towards the Clinton administration concerns not its verbal support for the Bosnian Moslems (which often encouraged them to delay accepting his peace plans). Rather it is US unwillingness to back the Vance-Owen plan with force in May 1993, when all the parties including Serbia had accepted It and it was turned down by the Bosnian Serb assembly in Pale. He salutes the role of "American political muscle and ability to fine-tune Nato's air strikes" in bringing about a ceasefire this autumn, and only regrets that it took until 1995 for this combination to be

We shall never know whether the Vance-Owen plan could have worked. What is clear from the record is that many criticisms of It were illinformed. Although it divided Bosnia into cantons, in most but not all of which one ethnic group would have had a clear majority, it also provided for the maintenance of a central administration and the return of refugees to their homes. The Serbs would have had to withdraw from 39 per cent of the Bosnian territory they then held. For Bosnian Moslems, and for all those Bosnians of whatever ethnic group who wished to go on living in a mixed community, it would have been far, far better than the partition that is now being negotiated, after two and a half

PIZEI FOTUM | Sector: Key to Reform?

The UK's Independent Healthcare

BY DR.TIM EVANS

With the policy debate focused on the NHS, the UK's private health care sector is often overlooked. A pobcy expert and spokesman for independent healthcare providers argues that this growing

private sector holds the key to health care reform in Britain. While the UK is famed for its NHS. less is known of its private, or independent, sector. Indeed, there has been a tendency for governments and others to neglect the

to the health of the nadon. Today, the UK's independent health and social care sector employs nearly 450,000 people and provides over 400,000 beds for treatment and care. For every two people the NHS employs, the indepeodent sector now employs one.

cootribution that it makes

The sector's turcover is roughly £13.1 billion per year or 24% of all spending on bealth care. And the services available include: acute hospital care, long term nursing and residential care for the old or mentally ill, acute psychiatric care, including drug

and alcohol abuse rehabilitation, and health screening. 69% of all health Research and Development is funded independently of government.

The sector provides 20% of all elective surgery, including, for example 20% of all coronary heart bypass operatioos and 30% of all hip replacements. The operations performed range from the simple to the very complex. 25% of surgical procedures reported in a recent survey were classified as "major" or "major complex", and 27% were classified as "minor". The remaining 48% were described as being "intermediate".

The independent sector provides 74% of all long-term nursing and residential care and is diverse, offering: nursing convalescence, respite and rehabilitation care to a wide range of client groups including the elderly, the elderly mentally ill, the physically disabled, and children and adults with learning difficulties. Some homes offer specialist care in the fields of head injury or challenging behaviour. The sector is moving into other innovative forms of care, including: domiciliary, day and respite services, which enable people to be cared for in their own homes as well as providing relief for caring relatives.

Again, the proportion of psychiatric services provided by the independent sector is growing rapidly. There are oow 69 independent ecute psychiatric units in the country which represent a six fold increase since 1980. 28% of consultant psychiatrists

admit patients to independent sector facili-

des, and virtually all substance abuse services are now provided independently.

Medical care in the independent sector, as in the NHS, has to be paid for. It is clear, however, that taking out insurance against medical costs is no longer the exclusive luxury of the rich.

Around 6.7 million people have medical insurance and a further 3 million people have health insurance which pays out cash benefits when they are ill and need

Together, 9.7 million people have some kind of medical or health insurance. That is more people than belong to trades unioos or regularly attend church. Indeed, there are yet more people who simply pay for care as and when they require it. In terms of total expeoditure, independent health and social care is comparable to all con-

sumer speeding oo DIY or oo air travel Ten million people are taking it upon themselves to help fund care in the UK today. This includes many ordinary families just seeking the best for themselves

and their children. In the South East of England nearly one quarter of the population has medical insurance.

Today, it would require something in the order of the equivalent of 3 or 4 percent on the basic rate of locome Tax simply to replace current private spending on the NHS and other statutory Local Authority services. However, even this figure understates the true cost, as it does oot take into account the Corporation Tax, VAT, and

other taxes paid by independent health and social care organisations which would otherwise be lost to the public purse. Realistically, an increase in the order of 5 peace on the basic rate of Income Tax would be required to replace independent bealth and social care with gov-

ernment spending. People in the UK are clearly willing to spend their money oo their own healthcare, and a system that discourages them from doing so merely places e greater burden on the NHS. Indeed, any governmeot committed to increasing health and

social care epending has to look seriously at oon-governmental expenditure as the only viable way forward.

De. Tim Evens is public affairs manager for the Independent Realthcare Association. The article is excerpted from a paper prepared for the Prance Lastitute, a Canadian "think rank".

PFIZER FORDAL ESPOPE IS NO ADMINISTRATE SENIES SPONSONED IN THE INTEREST OF ENCOURAGEME POLICY. DISCUSSION ON PERSON AFFECTING EMPORE AND FEATURING A WESE VARIETY OF VIEWS FROM LEADING

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COMPANY, MARGINSTITING IN 31 COUNTRIES, 173. PROBLETTS ARE AVERABLE WORLDWIDE. THE COMPANY BAS FORE PHENESS SECRETAL HEALTH CASE, CONSOMER MENCIN CASE, FROM SCIENCE MICH. AMBIEL MENCIN, PROCESS MISSIES IN TO-ENCOPER MICH. BENDO BRIDGINE, CONTESTED PRODUCTS THE **新维斯斯 医** OF PEOPLE AROCHE THE WORLD AND HELP THEM PIZED

AND MITTER PRODUCTIVE CAYS. PROPERTY NAME WITH THE ZUPPORTED BELLEVILLE.

### LETTERS TO THE EDITOR.

Number One Southwark Bridge, London SE1 9HL

te letters from readers ground the world. Letters may be faxed to +44 171-873 5938 (please set fax to five I. e mail: letters editor off com. Translation may be available for letters written in the main international languages.

### Pivotal role of aid in creating economic growth

From Mr Frank Vogl.

Sir, Michael Prowse correctly asserts that the US Congress's cuts in funding for the International Development Association Ithe World Bank's soft loan arm] are indefensible ("The assault on aid". Novem-

But he then voices the fashionable arguments that suggest that aid is of marginal sig-

Britain'e industrial revolution was not aided by the World Bank and International Monetary Fund, but he omits the fact that the revolution took generations to develop and secure broad-based social bene-

He notes, for example, that fits for all British citizens.

social reforms throughout the 1980s, which contributed to extraordinary growth and the reduction of the number of people in absolute poverty from around 200m to about 60m in a single decade The excellence of World

Bank advice, plus World Bank loans, contributed to the dramatic turnround in economic policies, performance and creditworthiness in Latin America

advice, South Korea has moved

from being one of the poorest

developing countries to one of the most successful within 30 years. The IDA was absolutely

pivotal in many areas of Chi-

na's dramatic economic and

By contrast, thanks to a in recent years India's agriculinstances and been mismandegree to IDA lending and tural revolution and, more aged in some. recently, its significant moves towards more liberal economic policies have been supported by formidable staff work, supmented hy lending, by the World Bank

Contrary to Mr Prowae'e claims, there are many of us who support aid who feel that many domestic social programmes urgently require

And, contrary to another of his claims, many of us have taken our lead from World Bank economists over the years and become ardent advocates of trade liberalisation. We even are keen to admit that aid has failed in many aged in some. But the benefits of aid dare

not be overlooked. The IDA, for example, has been at the forefront of programmes of education and healthcare that have produced long-term benefits for hundreds of millions of people. The Congressional cuts in funding for the IDA are a scan-

It is imperative that the UK, the other EU countries and Japan step forward and increase their IDA contributions to offset the US reduc-

Frank Vogl. 1100 New Hampshire Ave NW, Washington DC 20037-1501, US

#### Light in dark environment

From Mr P.J. Anders Linder. Sir, I always enjoy reading Samuel Brittan's articles, but I read his piece about whether lighthouses should be privately or publicly owned ("Symbolism of lighthouses", November 6) with particular pleasure. Why? Because Timbro, the organisation I work for, is a) Scanding via's biggest free market think-tank, and h) uses a lighthouse as its symbol and logo.

In spite of the latter, I admit that demands for privatisation of lighthouses are far from the top of our agenda. There are more urgent problems for a Swedish liberal to worry about. But we enjoy pointing out that markets have, as Samuel Brittan wrote, "many more possi-bilities that their critics suppose", and we like to regard our activities as an attempt to provide light in a dark and difficult environment

P.J. Anders Linder, senior vice president, Grev Turegatan 19, S-102 45 Stockholm, Sweden

### Where UK legislative power really lies

From Dr Martin Smith. Sir, By focusing on the activities of MPs as paid parliamen-tary consultants, the debate on

Lord Nolan's recommendations has served to perpetuate the myth that the House of Commons is seriously influential in the moulding of Britain's laws and regulations. It is not. As far as most business interests are concerned real power

resides in Whitehall and Brussels, and not necessarily in that order.

You are right to strese in your leader "Restoring faith in parliament" (November 3) that MPs have allowed themselves to become marginalised in the law-making process. Thoroughgoing procedural reform is needed at Westminster to ensure there is effective scru-

tiny of the actions of the executive and informed, considered discussion of draft legislation. Who will lead this crusade?

Martin Smith. chairman. Government Policy Consultante 29 Tufton Street. London SW1P 3QL, UK

#### 'Gold plating' of EU legislation must be halted

From Mr Bryan Cassidy MEP.
Sir You rightly highlighted ("Implementation of EU law 'over-zealous'", November 8) unnecessary burdens imposed on British companies, For some time now the British government has been concerned about this "gold-plating" of EU legislation by British civil servants, but this malpractice still

persists. Businesses must insist on officialdom providing a written specification of work required, along with a precise statement of the regulations that are applicable. They should resist environmental health officers, who claim to be enforcing "EU rules". We must remind local bureancrats that their job is to enforce British regulations.

I suggest that the House of Commons should take a much closer interest in the processes by which a European directive becomes law. The principal way in the UK is by the use of statutory instruments under the European Communities Act 1992. These instruments are even laid before the Commons while it is in recess. This obviously leads to inade-

those local officials, such as quate democratic scrutiny. One method of stopping the British civil service urge to "gold-plate" European measures is for the Commons to scrutinise draft statutory instruments more rigorously. Politicians have to prevent bureaucrats exceeding the original requirements stipulated in

> Conservative spokesman on economic and monetary

European proposals.

European writers and their

### Earlier constitutions offered Germany basis for its freedoms

From Mr Jürgen Bergs. constitution: "Long may it Thomas Jefferson. Jefferson in Sir, In his magnificent last." review of two books on the German constitution, (\*\*A con-November 4/5) Malcolm Ruth-

May I add that the German writers of the basic law took stitution for coordination", good advice from an earlier erford ends by saying of the

turn paraphrased French and English philosophers such as John Locke, Adam Smith and

Jean Jacques Rousseau. Constitution.

So we enjoy the freedom of 60594 Frankfurt am Main, Germany

They followed the lines of today only thanks to these Old-

imiversal ideas. Long may they last, Jurgen Bergs. Launitzstr 26

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Glaxo Wellcome: developments in the pipeline

#### **COMMENT & ANALYSIS**

### FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Thursday November 9 1995

### A false move in Moscow

The abrupt dismissal yesterday of Tatyana Paramonova as acting governor of the Russian central bank, supposedly on the authority of an alling President Boris Yeltsin, is a very disturbing sign. She was clearly identified with the most successful stabilisation programme yet attempted in Moscow. Under her authority, the central bank had succeeded in sticking to its own strict monetary targets through the year, to the surprise and delight of the International Monetary Fund. Her departure suggests that short-term political considerations, in advance of par-liamentary and presidential elections, have become paramount in policy-making.

For a start, it is not clear who took the decision to sack her, in an increasingly confused political situation. Since Yeltsin was bospitalised, none of the main officials connected with economic policy has been allowed near him, with the exception of prime minister Chernomyrdin, who had half-an-

hour's conversation one week ago. Ms Paramonova had no sbortage of enemies, to be sure. The association of Russian banks had been openly campaigning for ber dismissal, after she raised reserve requirements deliberately to drive some of the weakest banks to the wall. Her tight credit control

loans to factories and farms dur-ing the summer months naver happened. Indeed, she actually dared to turn the screw tighter in September, reducing the monthly monetary growth target to 2 per

If her sacking means that mone-tary policy will be relaxed, the suspicion must be that it is for electoral reasons. The reformed Communists appear to be well in front in the polls for December's parliamentary elections, with Our Home is Russia, Mr Chernomyrdin's party, trailing badly. Mem-bers of the government are calling for handouts to be given to key groups - pensioners, war veter-ans, and savers hit by stock market frauds. Pressure on the central bank has been growing.

ft could scarcely he a worse moment for Russia to relax. The IMF mission is due back next week, and negotiations were on track for an extended loan of up to \$15bn next year. The economy has been performing well, and, thanks to Ms Paramonova, inflation has been coming down.

If the monetary targets are abandoned, the IMF loan will not be the only thing in doubt. There would be no question of a Paris Club refinancing next year, nor of raising a eurobond, All the pain of the stabilisation programme would be for nought.

### Bank fudge

The most worrying feature of the changed his view on interest rates Bank of England's latest quarterly inflation report is oot its conclusion, but the elaborate fudge used to reach it. The Bank still thinks that the government is more likely to miss its inflation target than hit it in two years' time without a change in interest rates. Yet the battered Mr George now prefers to "wait and see" rather than

advise action. This change of heart stems from two types of uncertainty that have emerged over the past six months. The first relates to the weakness of the recovery and underlying initation pressures. As Mervyn King, the Bank's chief economist, admitted at yesterday's press briefing, the economic data published over the past few months has made an overshoot of the target less likely than in May, when Mr George was pressing the chancellor for bigher rates. Equally, if inflation does exceed the target. the oversboot is likely to be a

For its part, the report highlights several doubts surrounding the inflation forecast, of which the most important is the future evolution of demand. If foreign and domestic demand pick up markedly in the months ahead, then the Bank's benign view on the recent slowdown, and correspond-ingly hawkish view on inflation, might be proved right by events. But the present framework for UK monetary policy does not require Mr George to be proved right in retrospect. Rather, it requires him to tell the chancellor whether or not the government needs to change interest rates in order to hit its Inflation target. On the evidence of his own recent state-ments, and yesterday's report, he has failed to do this in the past

three monetary meetings. The fact that Mr George has

without altering his view that the target will be missed is testament to the second, more regrettable, kind of uncertainty that has developed since the beginning of the summer. This relates to the infla-tion target that the governor has in mind when considering his advice and to bow far he thinks he can press the chancellor to

At the time of Mr Clarke's Mansion House speech, Mr George said that the chancellor's target was to keep underlying inflation - excluding mortgage interest payments - below 2.5 per cent was "absolute rubbish" to suggest the new target was looser than the previous one, which aimed to get inflation towards the lower half of the 1-4 per cent range. On the basis of yesterday's report, however, Mr George no longer believes this. In effect, the official target is now for inflation to sverage 21/2 per cent over the medium term, not, as Mr Clarke said in his speech, to achieve 24 per cent or less. By any reckoning, this is a loosening of policy.

The earlier disagreement between chancellor and governor has taken its toll. Because the Bank did not have the last word on interest rates, it did suffer the embarrassment of its advice being publicly ignored. It has therefore returned to the time-honoured tra-dition of determining its advice on the grounds of political as well as economic prudence. Greater transparency has forced Mr George to be more open in his judgments about the prospects for inflation. But that very transparency shows the regime is not as different from the one that served the UK so ill in the past as many had hoped. The governor still tempers his advice to what he deems politi-

### Shipbuilding

No country has worked harder election campaign, the agreement than the US to end the ruinous worldwide race to pour taxpayers' money into shipbuilding. US persistence was rewarded by an international agreement, laboriously negotiated in the Organisation for Economic Co-operation and Development, to curb subsidies and impose price disciplines in the industry. But less than two months before the pact is due to take effect, it is in danger of foundering, largely because of

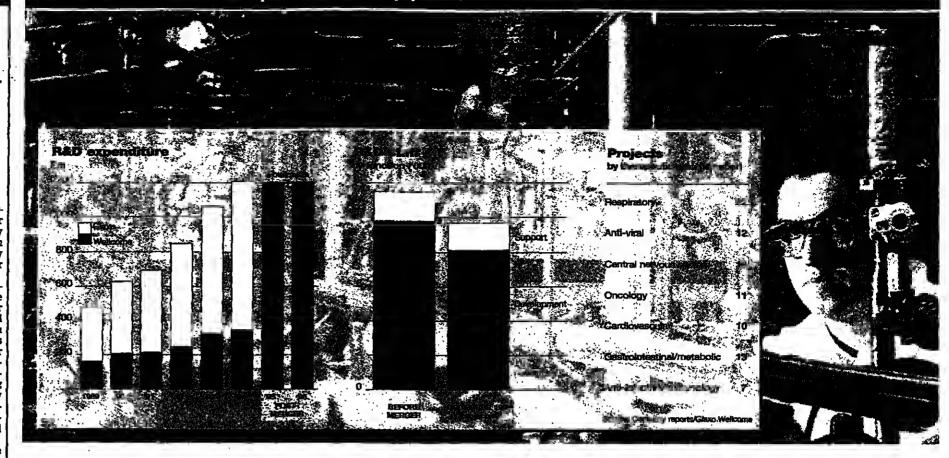
inaction by the US Congress. Alliough the Senate appears ready to ratify the accord, it is still bogged down in the House of Representatives' ways and means committee. For once, the culprit is not isolationism of the kind which imperilled US passage of other receot trade agreements, notably the Uruguay Round. The aims of the shipbuilding pact command wide support on Capitol Hill. Nor is it strongly opposed by any pow-

erful US producer lobby. The problem arises partly from a heavy legislative workload, which has also slowed ratification in Japan and South Korea. More seriously, the accord has been caught in the crossfire of Republican efforts to thwart the Democratic administration's legislative agenda. Unloss these obstacles are resolved by the summer, when Congress is due to recess for the

will almost certainly lapse.
Uncertainty about US intentions is already threatening the delicate

international consensus underpin-ning the accord, which requires unanimous approval. Although the EU has ratified the pact, delays by other governments prompted it this week to postpone implementation until next October. Meanwhile, troubled ship-yards in several member states are queuing up for fresh subsidies. Brussels will find it increasingly hard to contain these pressures if the belief grows that the OECD pact is doomed. Equally, reluctant political support for the deal in Japan and Korea, whose involvement the EU has made a condition for its own participation, is likely to decline further.

The unravelling of the agreement would signal a return to the beggar-thy-neighbour policies, dis-torted competition and massive excess capacity which have bedev-illed world shipbuilding for more than two decades. It was precisely these conditions which led the US to cajole other governments to agree on a more rational approach. That prize is now within grasp. For it to be forfated at the last minute because of par-tisan bickering and legislative indecision in Washington would



### New formula for the chemistry set

The most important element in the Glaxo Wellcome merger has fallen into place with a new structure for R&D, says Clive Cookson

nstead of white lab coats, grey City suits filled Glaxo Wellcome's plush new scientific lecture theatre yesterday at its Stevenage research centre north of London. Two bun-dred financial analysts and inves-tors had come to the world's largest drugs company to hear about the final and most important element in the integration of Glaxo with Wellcome: the new research and development strategy.

The visitors heard that Glaxo Wellcome had not only combined what senior scientists saw as the cream of the R&D portfolios of the two individual companies, they had also created a new structure for R&D that was quite different from either Glaxo's or Wellcome's before their merger early this year.

"We saw the integration as an opportunity to change fundamentally the R&D organisation and process," said Dr James Niedel, Glaxo ne's K&D director. science-driven company; if we are successful in R&D, the company will succeed."

If the new R&D structure achieves the company's target increasing productivity three-fold and bringing three important new medicines to market per year from 2000 - it may be seen as a model for the world's pharmaceutical industry as it faces rapidly increasing costs. The industry now regards one to two new drugs a year as an impressive achievement for a large

After four hours of lectures from Glavo Wellcome's senior scientists many of the analysts certainly seemed impressed by what they had heard. There was a positive tone to conversation in the dining room overlooking the £700m US-style research campus that Glaxo has laid out over the past four years.

Some felt that Glaxo Wellcome could give a more general lesson about taking over large companies take advantage of the inevitable dis-ruption, the heightened hopes and fears of your staff, the sense that big changes are in the air, to make radical changes as quickly as possi-ble, even in the most sensitive parts

In previous mergers between pharmaceutical giants - such as the creation of SmithKline Beecham. Bristol-Myers Squibb and Rhone-Poulenc Rorer - the corporate leadership tended to treat the researchers with kid gloves compared to other staff, introducing changes more gradually in R&D than in marketing, manufacturing and else-

Everyone associated with Glaxo Wellcome - from Sir Richard Sykes, thief executive, downwards agrees that staff morale was abysmal during the summer when every R&D project, indeed everyone's job, was at risk during the integration review. In the end, the combined R&D staff has been cut from 11,500 to 9,700 worldwide.

But now that all research staff know whether the or going - and if they are staying. how they might fit into the new structure - morale is improving.
"I think people see that we did this with bonesty and integrity," says Dr Niedel. "The ones who remain say: This was a rotten time and we wish we hadn't gone through it, but a stronger company

has emerged'." We will form partnerships and alliances to maximise our capabilities in all parts of the business. We cannot hope to do all the

> Sir Richard Sykes, chief executive

R&D on our own

The R&D integration process started as soon as Glaxo's £9hn bid for Wellcome succeeded last March and finished at the end of September. A team drawn from both companies reviewed all 160 development projects, according to strict criteria such as existence of an unmet medical need, scientific rationale, commercial potential, strategic fit and

inety-three projects survived the scrutiny, in seven main areas: respirstory; central nervous system; gastro-intestinal and metabolic; antiviral; cancer; cardiovascular; and immunology. Although almost 70 individual projects have been scrapped, Glaxo Wellcome has not pulled out of any large fields of research that were being pursued in

development feasibility.

either company. The review revealed some big difand Wellcome. One can be seen in the fact that 90 of the 160 development projects were in Wellcome although the company was only half the size of Glaxo. That reflects Glaxo's more ruthless - or, to be more positive, decisive - management style: either chop a project or fund it generously. Wellcome, in contrast, allowed many projects to

limp on with resources that were, in Glaxo's view, quite inadequate.

Although the senior management

the combined company comes almost entirely from Glaxo, Wellcome projects have not emerged badly from the review. This lends credence to the view that Glaxo launched its bid at least partly because it was worried about the paucity of promising drugs in its R&D pipeline. For example, half of the 32 projects in the exploratory development programme have come from Wellcome, and half from

Fears that Glaxo Wellcome would make big cuts in Its R&D budget as part of its overall cost savings following the merger turn out to be unfounded. Although the R&D headcount has fallen 16 per cent, R&D spending will be held steady in 1995 and 1996 at about £1.2bn a year. One reason why the company is

maintaining its R&D spending while cutting stall is that it is investing beavily in robotics and sutomation. Dr Alan Baxter, UK research director, says the company's robotic system for screening new molecules for biological activity now handles 50,000 samples a week; when the next generation of equipment begins operating next year, the throughput will go up to 50,000 samples a day.

Automation will proceed faster as Glaxo makes more use of the exper-tise in Affymax, the Californian company which it bought for \$533m (£337m) in February. Affymax specialises in combinatorial chemistry ~ a technology for generating a previously unimaginable diversity new chemicals for testing as possible drugs.

Another reason is that the company is devoting less money to in-bouse R&D and more to external collaborations with universities and small biotechnology companies, par-ticularly in the US. "We will form partnerships and alliances to max-imise our capabilities in all parts of the business," said Sir Richard Sykes. "We cannot hope to do all the R&D on our own."

The company says the oew organisational structure established in parallel with the portfolio review is, for the first time in Glaxo or Wellcome, truly global, in the past it has and north American R&D operations run separately and insufficient co-ordination between them.
It is also flatter, with the six to eight layers of management that had been typical in the old companies cut to four on average. Many middle-aged middle managers in

R&D have been made redundant. And, for the first time, Glaxo Wellcome's commercial managers will be represented on all the main R&D decision-making bodies. Until now, the early stages of research have been carried out in isolation from the sales and marketing departments.

The challenge to the new R&D structure is to increase the output of financially significant new medicines from just over one per year the combined average of Glaxo and Wellcome during the past decade to three per year from 2000. But the timescales of product development in the pharmaceutical industry are so long that no one will he able to make a final judgment on Glaxo Wellcome's R&D revolution until well into the next century.

### BSERVER.

#### Coasting in the roller

■ Things ain't what they used to be for Britain's ambassadors and high commissioners. Details extracted by Labour MP Tom Cox from foreign secretary Malcolm Rifkind show that only nine of the UK'a 140 overseas missions boast a Rolls-Royce, while six unlucky envoys rattle around in a motley

The Foreign Office says its strict rule that ambassadors must fly the flag by driving British-made cars was dropped because of the purchasing and servicing problems in remote locations.

No doubt that is why Adrian Beamish in Mexico City finds it necessary to drive a Cadillac De Ville, and why John Flynn in Caracas sports something called a Ford Grand Marquis. Sir Roger Carrick still manages a Rolls for Canberra - but Sir Andrew Wood makes do with his Range Rover in Moscow. At least John Major won't have to slow it during the Commonwealth conference in New Zealand. He may have to spend a let of time avoiding demonstrators. but he will be doing it in the high commission's Jaguar Sovereign.

Issue skirted ■ So Alain Juppe, the French prime minister, has cut by

two-thirds the number of "Juppettes", or women with ministerial jobs.

Jacques Chirac's honeyed words about raising the profile of women in politics notwithstanding the president put an awful lot of them into obscure posts which were obvious targets in a cabinet-pruning session. Take Colette Codaccioni, for instance, minister for solidarity between the

Still there is at least one clear compensation for the four won who remain in power. The daily wardrobe co-ordination sessions will be infinitely less complicated. When several Juppettes appear together, they are typically clad in

striking bright jackets. But never of the same colour. No doubt the result of frenetic morning activity that could more usefully have been channelled into brief reading.

#### Call to alms

■ Poland's presidential campaign has descended to comparisons of net worth as Lech Walesa, the incombent, and Aleksander Kwasniewski, the head of the former communists, slug it out for the highest office in the land. Kwasniewski is in a spot of hot water after press reports that his wife Jolanta, a successful estate

agent, has shares in Polisa, a private insurance company. In

all about his material status if

response he has said he will reveal

Searching one

tours to buy the odd

applementary crust.

Walesa does the same.

Walesa meanwhile said

yesterday that he wasn't afraid of

comparing notes in public, firmly implying that it was the former

communist who was the rich one.

only losses" he said, revealing for

My time in office has brought me

the first time that he was paid \$1m in 1989 for the rights to a

biographical film which was never

made but in which Robert de Niro

Half the payment had now been spent by his wife and family. "I'm

journalists to reflect that \$500,000

was at least something to be going

on with. Especially were he to lose

the election. After all, he could then count on the fees from lecture

almost hankrupted", Walesa moaned, leaving the assembled

had considered playing the

Solidarity hero's role.

■ US Transport Secretary Federico Pena presented his Thai counterpart with the obligatory friendship gift when they met yesterday in Bangkok. But the gaily-wrapped box was empty. The real present had been held up by the notoriously zealous customs. authorities at Bangkok's

international airport.
US embassy officials, who are
daily besieged by complaints from trafe US businesses about goods seized by Thai customs, seemed

quite pleased at the breach in protocol. What better way to demonstrate to the rather gung-ho Pena the realities of doing business

in Thailand? Pena seemed happy to play along, and apparently informed his Thai hosts that if they wanted their gifts they could go and deal with customs themselves.

#### House style

■ Plenty of detail the other night on TFI concerning the French government reshuffle. But the country's leading TV station remained strangely silent on another important story: that the chairman of a big TV station had been taken into police custody on alleged corruption charges. Any guesses which channel?

#### Blum-er

■ May Observer be the first to congratulate the Wall Street Journal on the impeccable nature of its contacts. The newspaper surpassed itself yesterday with its news item on the management reshuffle at the top of Swiss Bank Corporation. Searching for the by-line, we were so impressed to see the name of Georges Blum up there in lights.

Blum is of course - SBC's very own chief executive, who is becoming chairman in the current



#### 50 years ago Reparations problems

Today, representatives of almost twenty Allied nations are meeting in Paris to discuss the allocation of reparations from Germany. Under the provisions of the Potsdam agreement, these are apparently to take only two forms: removal of capital equipment deemed unnecessary for Germany's peace-time economy, and confiscation of Germany's remaining foreign

inevitably, regret will be felt that there is no intention of levying reparations in the form of a series of annual payments or deliveries, since only a lengthy period of such payments on current account could hope to provide adequate compensation for the ruin brought upon the world yet again by German

For the present, in any event, one can do no more than express the bope that the Potsdam declaration itself will be interpreted in a reasonably enlightened spirit, having regard to the inescapable importance of Germany in the economic life of Europe as one of the most highly-developed industrial nations of the world.

### FINANCIAL TIMES

Thursday November 9 1995



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Sharp interest rate rises fail to stop Mexican currency's slide

### Peso hits new low against dollar

By Lestie Crawford in Mexico City

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Mexico's currency dropped to new lows against the dollar yesterday in spite of Tuesday's stiff rise in domestic interest rates. The peso sank to a low of 7.89 to the dollar at midday, com-

pared with 7.475 at Tuesday'e close, while the stock market was down 1.8 per cent at mid-session. On Tuesday, financial markets

drove interest rates up 10 per-centage points. At the weekly anction of government paper, the benchmark rate on 28-day Treasury bills rose to an annual rate

of 54.24 per cent.
It was one of the biggest inter-

ruled out

by advisers

est rate jumps this year, and underscored the difficulties the povernment still faces in stabilising Mexico's financial markets. Interest rates are no longer an effective tool with which to strengthen the peso," said Mr Gabriel Golzarri, a currency

Pronorte. "I fear we are caught in a vicious circle: the higher interest rates rise, the more nervous people will become. The peso will remain vulnerable."

trader with Grupo Financiero

Economists said the sharp rise in interest rates would damage any fledgling economic recovery. A month ago, the peso was sta-ble and government officials and bankers were confidently foreabout 30 per cent by the end of the year.

In the past two weeks, however, speculative attacks on the currency have caused it to lose nearly a fifth of its value against the dollar, while interest rates have risen in an attempt to stem the flight of capital.

Economists are at a loss to explain the peso's fall, or the sudden turn in investor sentiment. Mexico has achieved a \$4.5bn trade surplus in the year to August, the government is running a budget surplus, the central bank has curtailed credit, and inflation is under control.

bankers were confidently fore-casting a steady fall in rates to ment won the backing of business and labour leaders for a mildly expansionary economic programme for next year.

In response to the currency's vulnerability, Mexico's largest exporting companies have pro-posed the creation of a private-sector fund to support the peso. Mexican companies and the

central bank are understood to have agreed in principle to make voluntary contributions to the fund, but the size and mechanics of its operation are still under discussion. News of the proposed fund, however, failed to strengthen the peso at the start of the week.

### EU shake-up NTT sets out staff cuts to deter threats of break-up

Continued from Page 1

states inside the decision-making Council of Ministers so they better reflect population size.

• Reducing the 20-plus ways in which legislation moves between the Council and the European Parliament. • Beefing up Maastricht's com-

mon foreign and security policy through the creation of a new joint planning and analysis unit in Brussels, either in the European Commission or Council of Ministers' secretariat.

 Improving co-operation to tackle internal security problems such as organised crime, asylum and immigration. • Strengthening the EU's exter-

nal presence by creating a new public fece to deal with third countries, the post being offered to e senior civil servant or well-known politician.

Reflection Group members warned that their limited recommendations could be thrown out by beads of government et the Madrid summit next month. France and Germany are preparing to submit a joint position on the IGC in early December, while the European Commission has yet to show its hand.

By William Dawkins and Michiyo Nakamoto in Tokyo

Nippon Telegrapb and Telephone, Japan's partially pri-vatised telecommunications company, plans to cut its workforce by 45,000, nearly a quarter of its staff, in an attempt to deflect political pressure for a break-up. Mr Masashi Kojima, NTT president, said yesterday the job losses would take place over the next five years through reduced recruitment, retirement, and redeployment of workers to subsidiaries in emerging businesses like multimedia.

NTT also revealed plans to lower the highest rate for long-distance domestic calls from Y180 (\$1.75) for three minutes to Y100 by 2000.

This is the latest step in a vigorous campaign by NTT to prove to its critics, mainly in the Ministry of Posts and Telecommunications, that a break-up of the company is not required. The ministry has been pushing for a break-up to stimulate competition in the local network. A government decision on the issue is due next spring.

Mr Kojima warned that the latest restructuring plan, part of a

wider overbaul of costs and prices, might have to be changed if the government went ahead with proposals to break up NTT on the US model, into one long-distance and several local telephone companies.

However, NTT's plan was dismissed as ineffective by the telecoms ministry. "It's like watching a video tape of five years ago," said Mr Eiichi Tanaka, a senior edviser at the ministry. faced calls then for a break-up and announced similar restructuring plans, he But the transfer of employees

to subsidiaries at the time merely shifted costs from company salaries to outsourcing fees and did not lead to real cost-cutting, Mr Tanaka noted. According to a recent report to the Telecommunleations Council, an advisory panel to the ministry, NTT's labour costs have risen as a proportion of outgoings in the years since its partial privatisation.

While the job cuts were significant, they were much smaller than the 30-40 per cent job reductions achieved since the turn of the decade by US local telecommunications companies, said Mr

Barry Dargan, analyst at SBC Warburg in Tokyo, stockbroker to NTT. This is a slower rate of slimming than other world telecommunications companies," he

Calls for a break-up have also been spurred by concerns that NTT is abusing its virtual monopoly over the local networks by overcharging other long-distance operators for access to the networks. In response to this, NTT last week agreed to reduce access charges, though Mr Kojima yesterday warned those charges might have to rise again if NTT fell into loss after a

NTT cited six areas for cost reductions including the facility maintenance division, directory services, and software development, which is to be spun off. As a result of these changes

Mr Kojima predicted that profits before tax and extraordinary items would rise to more than Y200bn in 2000, from Y142.6bn in the year to last March. He expected that NTT's turnover from multimedia related businesses, now negligible, would rise to between Y500bn and Y1,000bn in five years. Total revenues were Y5,875bn last year.

#### THE LEX COLUMN

### Volvo's rocky road

Volvo cars may be big and roomy but the company is too small. Without the necessary economies of scale, the Swedish group's returns are slipping at a time when sales and market share are rising. Yesterday's nine-month figures showed operating margins in the car division down from 4 per cent to 3 per cent despits a 15 per cent increase in turnover. Adverse exchange rates were partly to hlame. but the real culprit was a jump in operating and product development costs. Volvo's self-imposed 7 per cent margin target now looks hopelessly unrealistic. Such returns are possible; BMW, with a similar range of cars,

makes margins of around 8 per cent, but it is twice Volvo's size.

The failed merger with Renault was an attempt to gain critical mass. In its absence, the group is busily broadening its product offering. A successor to the Volvo 960 huxury saloon, e convert-ible and a new small car are in the pipeline. But the resulting development and marketing expenditure will est into profits for the next few years.

Luckily, Volvo is two companies in one. The truck division is still rosning away with a 55 per cent rise in profits and margins in double figures. It is worldwide number two to Mercedes. Given its order backlog, the recent sharp fall in US truck demand should do little harm. Volvo's other strength. is a debt-free balance sheet. But unless management either sells the car side or finds a partner - both Chrysler and Mitsuhishi would make sense - those advantages will amount to little.

It is curious indeed when a company promises to cut 45,000 jobs as e way of winning political favours. Yet in Nip-pon Telegraph and Telephone's case, the pledge has logic. In the current debate over wbether to break up Japan's leading telecoms group, one of the main arguments is that NTT is e bureancratic behemoth. The company is desperate to show it can become more efficient while retaining its current integrated structure.

NTT shareholders would be overjoyed if yesterday's announcement signified a determined attempt to cut costs. The group is one of the world's least efficient phone companies, with operating margins and return on capital well below its European and US peers. The snag is that much of the six-year efficiency drive is windowdressing: the headcount will come down in part through moving people

528.6 (+4.6) Volvo B stare price relative to the Afterwarden index

into subsidiaries; as many as 40,000 jobs could be "cut" in this way. Moreover, even if 45,000 jobs were really cut, that would merely equate to reductions of 5 per cent e year - no better than already more efficiant international rivals are planning.

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With such a half-hearted efficiency drive, it is unsurprising that NTT is only promising to improve its depressed profits by 40 per cent over five years. If that is the best it can do as an integrated group, investors will not weep if the government splits it up. Not only could a break-up galvan-ise management, it might also get the regulatory monkey, which among other things has curbed NTT's inter-national ambitions, off its back.

#### Glaxo Wellcome

The days when absent-minded boffins were left to potter in their labora-tories in the hope that they might stumble on the next blockbuster drug are over. Glaxo Wellcome's plans to triple the productivity of its research and development show the pharmaceutical giant waking up to barsh, commercial reality. Given the worldwide pressure on

healthcare prices, drug companies have started nibbling away at their costs. But research departments have so far been left largely undisturbed. Claro has used its merger with Well-come for a ruthless shake-up; a fifth of its R&D staff and nearly 70 of 160 development projects have been axed. But annual expenditure is being maintained at £1.2bn with the goal of bringing three significant new drugs to market every year - the average over the last decade has been one. Glazo is

under particular pressure because patents on two of its largest drugs expire in 1997. But its rivals are setting similar targets. SmithKline Beecham, which spends half as much on R&D, sims to produce two new drugs

and one new vaccine annually.

Whether these targets are realistic remains to be seen. Glaxo defines a significant drog as one with peak sales of £400m a year. The group is pinning its hopes on scientific advances such as medical genetics, but is also invest-ing heavily in rapid screening techniques and computer systems. As expensive technology takes over from serendipity as the way to discover drugs, life will become even harder for the industry's second division.

#### Oppenheimer

Oppenheimer, the US brokerage firm being courted by Bayerische Vereinsbank, has attractions for expanding commercial banks. Most importantly, it is available and affordable. But the strategic logic of buying e niche US house is not obvious.

Building up investment banking expertise makes sense, particularly as the lucrative process of taking public Germany's privately-held and govern-ment-owned companies gets under way. Furthermore, the brokerage arm would bring a useful distribution net work, and asset management provides e stable earnings stream. But other plans sound more far-fetched. For example, it is not clear that BV's strong position in the German mort gage bond market would give Oppenheimer e competitive edvantage in the much more complex and cut-throat US mortgage-backed securities market. Nor is it obvious that Oppenheimer's investment banking expertise will be readily transferable to German compa-nies. If BV feels unable to develop its investment banking business organi-cally, it is difficult to feel confident in its ability to manage the transition of a Wall Street partnership. Like other German banks, BV's

enthusiasm for overseas expansion has been kindled by the poor profitability of the domestic market, Return on equity for German banks languishes far below that achieved in the UK and US. Whatever their failures or successes overseas, they will sooner or later have to tackle poor profitability in their core market by cutting costs and consolidating.

Additional Lex comment on Welsh Water, Page 26

### Airbus plans large jet rival to Boeing

Aerospace Correspondent,

Airbus Industrie yesterday raised

the stakes in the battle for large aircraft in the next century by saying it would seek approval from its board to launch an enlarged version of its A340 jet. The "stretched" A340 would carry 370 passengers in a threeclass lay-out - about the same

number as carried by the 747-400 built by Boeing of the US, the European consortium'a bitter rival. The existing four-engined A340 carries up to 300 passengers.
Alrhus said its board could reach a decision by the end of the year. Boeing has already

**Europe today** 

England, western ireland and Scotland will have cloud and rain. Other parts of Scotland and Ireland will stay dry with sunny spells. A frontal zone will touch the north-west of the continent causing cloud and patchy rain. Most of Germany and the southern Benelux will also be cloudy but

mainly dry. Most of France and Spain will have sunny periods. High pressure over

eastern Europe will bring plenty of sunshine from Latvia across Poland towards Hungary. The western Black Sea will stay dry and skies will clear. Showers will develop in northern Turkey. The Ukraine and western Russia will have

High pressure over eastern Europe will move further east, bringing plenty of sun

to south-east Europe during the weekend. Western parts of the continent will have cloud and rain. Spain will have heavy rain on Saturday. Italy and France will also have rain. During the weekend, north-west

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Five-day forecast

Europe will have sunny periods.

TODAY'S TEMPERATURES

indicated that it would like to have an enlarged version of the 747 flying by the end of the cen-

Mr Frank Shrontz, Boeing chairman, wrote to Sir Colin Marsball, chairman of Britisb Airways, earlier this year to say that he regarded the development of a larger aircraft as a priority.

Boeing and the four European

manufacturers which own Airbus earlier this year failed to reach agreement on proposals to build a "super-jumbo" aircraft jointly. The aircraft would have been capable of transporting more The four companies - Aérospa-

Aerospace of Germany, British

Aerospace, and Casa of Spain -concluded along with Boeing that while building e super-jumbo was technically feasible, there was no market for the aircraft. Only BA and Singapore Airlines had expressed an interest in an air-

The UK carrier needs the large aircraft because of severe conges-tion at London's Heathrow airport, its bome base.

FT WEATHER GUIDE

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tiale of France. Daimler-Benz

Airbus said yesterday that building a stretched A340 would

craft of this size.

Sir Colin yesterday told a pub-lic inquiry into a fifth terminal at Heathrow that larger aircraft would enable his company to carry more passengers without a large increase in the number of

flights.

After their joint study into e larger aircraft, the US and Euro-

pean manufacturers said they would devote their attention instead to building larger versions of their existing aircraft.

cost about \$500m. This compares with the \$150n that the companies estimated would be required to manufacture the super-jumbo. Airbus said yesterday it would also seek board approval to build a long-range version of its twin-engined A330 aircraft at a cost of

\$500m The aircraft, the A330M10, would be smaller than the existing models but would have a range of 6,000 nantical miles, against between 4,000 and 5,000

miles for the current A330.

### IRISH No.1

Ireland Residential Securitised Home Mortgages (No.1) p.l.c.



IR£100,000,000 Mortgage Backed Floating Rate Notes due 2025 NatWest Markets Irish Intercontinental Bank Limited **Ulster Bank Markets** 





#### IN BRIEF

#### Siemens advances 26% to DM2.08bn

Siemens, the German electronics group, raised net profits 26 per cent to DM2.08bn (\$1.49bn) for the year to end-September, following a strong turn-round in its electronic components division. Sales rose 5 per cent to DM88.8bn. Page 18

KLM sues leading Northwest shareholders KLM Royal Dutch Airlines said it had filed a lawsuit in the New York State Supreme Court against leading shareholders of Northwest Airlines, seeking to prevent a proposed shareholder rights plan. If approved, the plan could force KLM to sell part of lts 21.5 per cent stake in Northwest. AFX reports from New York.

Munich Re eyes overseas opportunities Munich Reinsurance, the world's largest reinsurance company, is considering further overseas expansion possibilities, Mr Hans-Jürgen Schinzler, chairman, said. Page 18

Dutch paper group disappoints at FI 116m KNP BT, the Dutch paper, packaging and distribu-tion group, reported lower-than expected rise in third-quarter net profits to FI 116m (\$73m), from

New World slides to HK\$3.4bn New World Development, the Hong Kong propertybased conglomerate, reported a worse-than expected 21 per cent fall in net profits to HK\$3.4bn (US\$440m). Page 20

Ansett result hits transport group

TNT, the Australian transportation group. announced first-quarter profits after tax but before abnormals of A\$640,000 (US\$481,000), down from A\$14.2m a year ago, after disappointing results from Ansett, the Australian airline in which it holds a 50 per cent stake. Page 20

News Corp falls 5% in third quarter Third-quarter earnings from Mr Rupert Murdoch's News Corporation fell 5 per cent to US\$210m compared with the previous year, as strong performances from television and newspapers was more than offset by weakness in films, magazines and book publishing. Page 21

Michelin to tackle pension fund deficit Micbelin is to pay \$380m in cash into its US pension funds before the end of the year, making it the latest in a line of companies in cyclical industries which have taken advantage of stronger cashflow to tackle chronic pension deficits. Page 21

Bayerische Vereinsbank in pole position Bayerische Vereinsbank, the German bank, has emerged as the leading candidate to acquire Oppenbeimer Group, the US financial services partnership, in a deal which could be worth more than \$500m. Page 21

Rank ends search for chief executive Rank Organisation, the diversified UK leisure company, has ended a year-long search for a chief execotive to replace Mr Michael Gifford. It said the job would go to Mr Andrew Teare, chief executive of English China Clays, the minerals and chemicals. group. Page 26

#### nies in this issue

127

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#### larket Statistics

Annual reports service	34-35	FT-SE Achuertes indices
Benchmark Govt bonds	32	Foreign exchange .
Bond futures and options	32	Site prices
Bond prices and yelds	32	London share service
Commodities prices	31	Managed funds service
Dividends announced, UK	22	Money markets
EMS currency rates	33	New inti bond lasues
Euroband prices	32	New York share service
Fixed interest indices	32	Recent issues, UK
FT/S&P-A World Indices	42	Short-term int rates
FT Gold Mines Index	38	US interest rates
	32	World Stock Markets
FT/ASMIA Intil bond svc	-	

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### Volvo shares slip as car unit disappoints

Shares in Volvo, Sweden's biggest manufacturer, fell 4 per cent yesterday after it reported weaker than expected ninemouth figures and a sharp drop in the profitability of its car divi-

Pre-tax profits amounted to SKr10.77bn (\$1.6bn), about SKr300m below forecasts and 15 per cent down on last year's SKr12.7bn when hefty capital gains from disposals were included.

The shares, which fell SKr6 to SKr140.5, were undermined by the performance of the car division - the only one to report lower operating profits - and evi-dence of weaker truck demand in some markets.

We might look back at the third quarter as a turning point in the current cycle," said Mr Bob Barber, motor analyst with James Capel in London, citing difficult conditions for all leading carmakers.

Group operating profits, exclu-ding one-off Items and the noncore Fortos division, rose from SKr5.23bn to SKr6.90bn as automotive sales climbed 15 per cent to SKr114.2bn. Group sales, including Fortos, were 15 per cent higher at SKr129.1bn.

The weak area was the car division where operating profits fell 7 per cent to SKr1.93bn, despite a 15 per cent rise in sales to SKr63.1bn and an 11 per cent increase in the number of cars sold to 286,500. This cut the unit's operating margin to 3.1 per cent from 3.9 per cent, putting it well below the 7 per cent target for the group as a whole. In the third quarter, tha car

unit's operating margin was just 1.7 per cent, against 3.2 per cent a

year ago.

The group blamed competitive market conditions, unfavourable exchange rate movements and high product development costs for the weaker trend. But it compensated with another strong performance from its truck division, which has seen high demand and good margins.

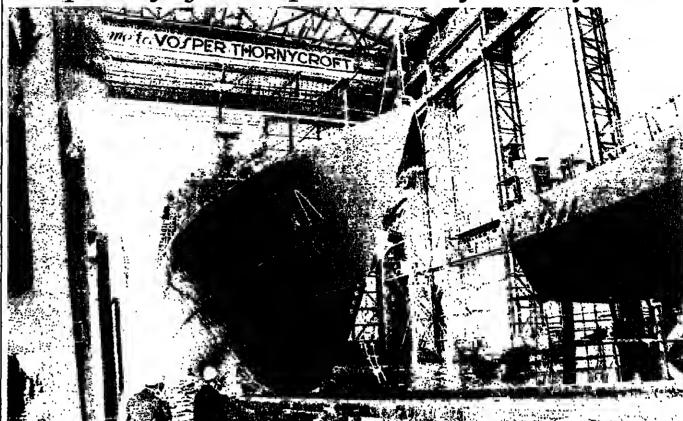
Volvo Truck increased operat-ing profits 55 per cent to SKr4.02bn, giving a 10.6 per cent operating margin on sales that rose 14 per cent to SKr37.9bn. Unit sales were 15 per cent higher at 56,700.

The group is confident about the outlook for the truck market, although it noted demand had fallen sharply in the US and Brazil in the third quarter. Volvo'a European market share for beavy trucks was 16.1 per cent after weakening slightly during the third quarter.

Mr Tuve Johannesson, the new head of Volvo's car division, expected a "decent" car market in 1996, when the group should feel the first benefits of its heavy investment programme.

Volvo said group operating income of SKr8.84bn included SKr763m of one-off gains and a SKrl.17bn contribution from Fortos, the division which groups the non-core operations which are being sold off. There was a SKr2.3bn gain from the recent sale of Procordia Food and Abba Seafood to Orkla of Norway and a SKr280m gain from the disposal of the Alfred Berg brokerage, but these were offset by a SKrL8bn writedown of the company's newly acquired shares in Volvo Construction Equipment Lex, Page 16; Details, Page 18

Vosper says jobs depend on Royal Navy order



Vosper Thornycroft, the UK warship builder, warned it would cut its shipyard staff by more than a third if it failed to win part of a £400m (\$632m) order for the Royal Navy. The company lifted interim pre-tax profits from £10.3m to £11.4m. Story. Page 22; Editorial Comment, Page 15

### Investors argue over Czech paper group

An argument bas erupted between AssiDoman, the Swedish paper group, and Stratton, a US investment company, over the future of Sepap, a Czech paper producer in which both are large shareholders.

AssiDoman yesterday described Stratton's move to replace it as a strategic partner for Sepap as "ridiculous" and would jeopardise a Kc4bn (\$152m) investment programme and a developing alliance between it and the Czech

Stratton immediately hit back, claiming AssiDoman's link-up treated Sepap "like a workbench" with most of the benefits accruing to the Swedish group.

AssiDoman owns a third of Sepap. It had planned to take its stake to 51 per cent by subscribing to a share issue this year and intended to expand further into eastern Europe through the acquisition.

That strategy was interrupted last month after Stratton acquired control of 51 per cent of Sepap in partnership with Czech share-holders. It said it would bring an industry expert into Sepap to help it develop as an independent producer.

Mr Ragnar Quarnström, president of Assi-Domān's kraft products division, said yesterday his company was "about as good an industrial partner as [Sepap] will find". Stratton has been especially critical of a market ing agreement between AssiDoman and

Sepap to sell each other's products in western and eastern Europe. Stratton said the agree-ment favoured the larger company.

Mr Quarnstrom admitted AssiDoman stood to gain more from the agreement but said its terms were standard in the paper industry. He said the criticism showed that Stratton "does not understand the industry".

Mr Daniel Arbess, Stratton's head of European operations, said its aim was to develop Sepap as a strong Czech group rather than as a subsidiary of a European operation.

The row is expected to come to a head at an extraordinary meeting of Sepap on November 21, at which a new board of directors will be appointed. AssiDoman does not have board

### Pioneer Goldfields shelves float amid market gloom

By Kenneth Gooding and Christopher Price in London

The London flotation of Pioneer Goldfields, which owns a gold mine in Ghana, was shelved yesterday because of poor market conditions. Pioneer Group, a Boston-based fund management business, had expected to raise between \$249m and \$275m from the sale of about 20 per cent of its gold subsidiary.

failure of the Pioneer issue,

which was due to be priced yesterday, did not augur well for the French government's proposed flotation of Pechiney, the aluminium group that it hoped to sell by the year-end.

Investment managers said international equity markets generally were "rather con-gested." For example, Far East-ern Textiles, which aimed to be the first Taiwanese company quoted in the US, this week withdrew an offering of ADRs (American depository receipts) because

of a lack of tovestor interest. "Pechiney will be very difficult to get away," said Mr Nich Hatch at stockbroker Ord Minnett. There are buyers out there but the price must be right."

Mr Hatch said mining compa nies raised nearly \$10bn via share issues and convertible finance last year, double the 1993 total. This year the amount raised would fall to about \$3.5bn because the market was suffering from "indigestion".

The Pioneer float was dogged tional investors," said one ana-

by difficulties, analysts said. Since the pathfinder prospectus was issued on October 11, the Africa element of the FT Gold Mines Index fell 15 per cent. Also, two other natural

resource companies that were floated recently - Lihir Gold and Tambang Timah - were trading at a discount to the Issue price. Pioneer Group does not need the money and was not willing to reduce the offer price to a

level that would interest instituto some institutional investors

flotation underlines the continning fragility of the UK new issues market. A record number of flotations in 1994 was followed by some high-profile unsets, with a handful of companies issning profits warpings

The withdrawal of the Pioneer

lyst involved in the issue.

sbortly after joining the market. This, combined with the fact that a larger number of newly floated companies underperformed the market last year, led

boycotting the new issues market. Several floats were post-

poned earlier this year.

by the institutions.

Interest is only returning slowly. A report last month by KPMG, the accountants, showed the UK new issues market still in the doldrums. While flotations bave received a boost from the start of the Alternative Investment Market in June, corporate financiers complain that bopedfor valuations on potential entrants are being marked down

#### Industry is tuning into the revenue that rights bring

#### songs for \$48m in 1985, the deal was dismissed as another whim from one of the world's wealthiest and most eccentric pop

Ten years later it looks like a master stroke. This week, Mr Jackson sold ATV Music, his publishing company which owns the rights to songs by Elvis Pres-ley and Little Richard as well as The Beatles, to Sony Music, his record label, for \$500m.

The deal enables Sony Music, a subsidiary of the eponymous Japanese electronics group, to strengthen its relationship with Mr Jackson, who is still one of its top-selling artists despite a 1993 child sex abuse scandal. It also expands Sony's publishing inter-ests at a time of rapid growth in that area of the music market.

Music publishing dates back to the sheet music publishers of the early 1800s. They started recording music in the 1900s but continued to claim royalties when it was recorded, performed, broadcast or used in advertising. Recorded music is now tha

main source of revenue for the \$35bn music industry, but oublishing is more profitable. This is because overheads are low. Moreover, the publishing mar-

ket has grown rapidly in the 1990s. This is partly due to the emergence of music markets in Asia and Latin America; and partly to the increase in the valua of advertising rights. Microsoft, tha US software group, reportedly paid the Rolling Stones \$8m to use Start Me Up in a commercial.

The big five music groups PolyGram, Sony, Warner, EMI and BMG - have aggressively expanded their publishing interests. EMI is the number one publisher, which is likely to enhance its appeal to potential predators when it demerges from the Thorn EMI group next autumb. Warner became number two in 1984, after acquiring Chappell music pub-

### W ben Michael Jackson bought the publishing rights to The Beatles' Sony ups tempo in music publishing



lishing from the then financially tronbled PolyGram.

PolyGram has rebuilt its publishing business by buying song catalogues. Another force in the market is Paul McCartney, the former Beatle who was furious when Michael Jackson beat him to his own songs and who owns a number of classics.

The acquisition of ATV Music brings a number of lucrative new publishing rights to Sony, which now vies with PolyGram for third place in the market. The pnrchase of the Beatles catalogue is particularly timely given the resurgence of Beatlemania and the forthcoming release of a new

single, Free As A Bird. EMI will continue to administer the ATV catalogue until 1999 (under the terms of a \$70m contract signed in 1993) but royalties will now be paid to Sony ATV, the merged publishing company in which Mr Jackson will

be a minority shareholder.

However, Sony and its fellow publishers face a serious threat to their prosperity. One of the fastest-growing forms of distributing musle is through online computer systems, notably the Internet. At present, there is no legal mechanism for enforcing copyright protection for music distributed by digital means.

The industry is lobbying to secure the necessary reforms, but the issue is complex. One difficulty is that existing music copyright law is administered nationally, whereas the Internet is an international network

The digital issue is, as one pub lisher put it, "make or break for us". Otherwise, it will cast a cloud over Sony's glittering new deal with Michael Jackson and the rest of the music publishing

Alice Rawsthorn

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### PHILDREW VENTURES.

Creative Capital for Management Investor RESIDEN VENTURES TRUBE TRUBE IN FRANCES HE HAVE LINGUIS BUT DEL BUT DES NON Marine spreasure dies in descriptions and the rest seemen and as rest, and as we reduced the

#### INTERNATIONAL COMPANIES AND FINANCE

#### **EUROPEAN NEWS DIGEST**

### Pharmacia reports weak third term

Pharmacia, the Swedish pharmaceuticals company which has just merged with Upjohn of the US to form one of the world's top ten drugs groups, yesterday reported a SKr3.63bn (\$543.8m) profit for the first nine months, down 15.6 per cent from SKr4.3bn a year ago.

The results followed a weak third quarter when profits fell from SKr1.64bn to SKr932m. The drop reflected increased research and development outlay, higher operating costs, weak underlying sales growth, and hefty one-off gains last year. Shares in Pharmacia & Upjohn, which have just begun trading on the Stockholm stock exchange, reacted badly to the figures, falling SKr9, or 4 per cent, to SKr218.5.

Group sales for the nine months - before the merger was consummated - fell 2 per cent to SKr19.4hn, although on an underlying basis they rose 2 per cent. Operating income excluding one-off items, dropped from SKr3.58bn to SKr3.37bn, weakening the group's operating margin from 17.3 per cent to 16.8 per cent. Total operating income fell from SKr4.42bn to SKr3.42bn after a halving of third quarter income from SKr1.66bn to SKr844m. Third-quarter R&D expenses were 1S per ceot higher than a year ago and operating costs 3 per cent higher.

By Christopher Brown-Humes. Stockholm

#### Komatsu, Demag in joint venture

Komatsu and Mannesmann Demag, two of the leading names in heavy engineering, yesterday said they would create a joint venture with sales of about DM300m (\$212m) to build and market heavy excavators. Demag is already a leading maker of heavy excavators over 100 tonnes while Komatsu brings its worldwide marketing and distribution network to the venture

Each company will hold a 50 per cent stake in the new company, which is to be called Demag Komatsu. Managemen control will be divided equally hetween the partners. The deal has yet to be cleared by the European Union competition

Mannesmann Demag, a division of the Mannesmann engineering and telecoms conglomerate, is focusing on plant construction, plastics machinery and compressor technology. The new Demag is forecast to have sales of about DM5.5bn this year. Demag is a leading maker of heavy excavators - with about 25 per cent share of a world market worth about DM400m - but the company said it had turned to Komatsu because the Germans did not have the global marketing resources of the Japanese

Mr Satoru Anzaki, president of Komatsu, said the two partners were "made for each other". The companies said their clients were themselves consolidating and were increasingly looking for producers who could supply the entire range of machinery needed for mining from excavators to dump trucks and buildozers. So far Caterpillar of the US is the only manufacturer able to offer such package deals.

Michael Lindemann, Düsseldorf

### **Currency swings and** poor US sales hit Volvo

Volvo's worse-than-expected ninemonth figures fell firmly on the group's car division yesterday. Volvo Car Corp's operat-ing margins are falling just when the business should be benefiting from higher volumes and an increased share of its main North American and European markets.

Some of the problems undoubtedly stem from more competitive industry condi-tions. Car sales are falling in the US and showing only weak growth in Europe and Japan. Volvo, like its rivals, has had to cut prices and increase mar-

But VCC has also been hit by two other factors: unfavourable currency movements and unusually high product devel-opment costs before a spate of new model launches. Currency movements alone ahout whether the group

German and Belgian currencies have increased the company's purchasing costs just as the weak dollar has hit income from sales in the US, the group's most important mar-

The high product development costs reflect the group's ambitions to cut lead times significantly and to broaden and update its range by adding a more sporty, upmarket image to its reputation for safety and reliability. The group plans to add at least one new model a year and is aiming for annual sales of 500,000 cars by 2000,

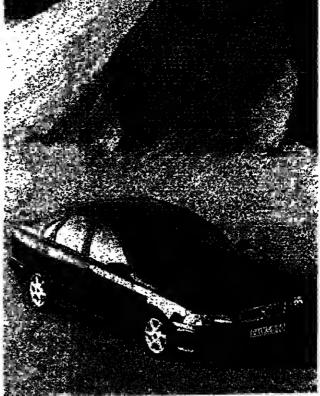
against 361,000 in 1994. In September it previewed a new mid-size four-door saloon, a range that will eventually supersede the 400 series, and it is shortly to announce a fivedoor version of the same car.

VCC'e high rate of spending
is bound to re-open the debate

cost the group more than should collaborate more exten-SKrlbn (\$150m). The strong sively with another manufacturer to defray more of its costs, offsetting the disadvantages of being a relatively small, niche manufacturer.

Ever since plans to merge with Renault collapsed in late 1998, the group has struck rigidly to a position that it would collaborate with different partners on individual projects, rather than seek a broader tie-up with one manufacturer. Mr Soren Gyll, Volvo chief executive, reiterated this yes-

terday. He stressed VCC was seeking to cut its operating expenses, but added that product development costs were necessarily high at this stage. The hope is that VCC's per-formance will look very different from late 1996 onwards as sales of its new models start to show up in the company's cash-flow. If not, the group's go-it-alone strategy is bound to be questioned further.



Volvo's un-named four-door saloon: part of planned image update

### Components side sparks 26% surge at Siemens

By Wolfgang Münchau

Siemens, the German electronics group, reported a 26 per DM2.08bn (\$1.47bn) for the financial year to end-September, after a strong turnround in its electronic components

With sales up S per cent to DM88.8bn, the company's pro-visional results were hroadly in line with expectations. A regional breakdown underlines the current diversity of

views on the state of the Ger-

man economy. Unlike other

two years of decline." Domestic orders rose 8 per cent to The divisional breakdown of profits also showed a reversal of fortune among Siemens' divisions. Siemens Nixdorf Informationssysteme, the computer manufacturer, turned in

a small pre-tax profit of

DM62m, for the first time in

four years, after a loss of

reported strong said this was a result of "generally favourable economic trends in Germany and demand from abroad and weakening demand at home. Siemens said yesterday: "Busiabroad". ness gathered momentum The most specular turnagain in Germany following round came from the electron-

companies that DM319m last year. Slemens

ics component division, which includes semiconductors, and which increased profits from DM300m in 1993-94 to DM102bn At a pre-tax margin of 14.2 per cent, components is now by far Siemens' most profitable division.

Mr Peter Thilo Hasler, analyst at Vereinsbank Research. said: "This is a significant

strong growth in the market for components used in the telecommunications and the antomotive industries." He said the strong growth in the mobile telephone market - with forecasts of a rise in annual sales from 27.9m now to 100m units in 2000 - under-DM100m.

lined future growth potential. The industry division also-gained from rising sales and productivity, with operational profits up from DM119m to DM702m. The communications division, previously the most profitable sector, showed profits of DM644m, compared with

The transportation unit, which includes the ICE a disappointing performance with a loss of DM18m, against a profit of DM201m last time. Profits of the medical division fell by more than half to

Siemens said the D-Mark's strength had had a significant effect on results. Stripped of exchange rate effects, sales would have expanded 13 per cent rather than 5 per cent. US orders rose from \$7bn to \$7.5bn, which represented a decline if expressed in D-Marks from DM11.6hm to DM10.8bn.

COMPANY PROFILE

### Strong advance by Novo **Nordisk**

By Hilary Barnes in Copenhagen

Novo Nordisk, the Danish insulin and enzymes manufacturer, increased pre-tax profits at the nine-months stage by 33 per cent, from DKr1.24hn last year to DKr1.65bn (\$300.5m). and net profits by 29 per cent from DKr934m to DKr1.20hn.

The result was better than market expectations and the shares rose DKr15 to DKr708. The group raised its full-year forecasts, indicating pre-tax profits would rise 12 per cent, against its half-year forecast of 10 per cent.

The interim statement said net financial items and costs had developed more favourably than expected. Net finan-cial income was DKr80m compared with a deficit of DKr135m last; year. Operating profits (after depreciation) advanced 14 per cent from DKr1.38hn to DKr1.57bn, despite a DKr200m charge for restructuring.

Turnover edvanced 3 per cent from DKr9.94bn to DKr10.27bn. Growth was adversely affected by the disposal, with effect from July 1, of the Ferrosan vitamin and dietary supplements subsidiary, and a fall in the average value of invoicing currencies

by 5 per cent. Licence fees and other income rose 39 per cent to DKr312m, half of which was from the anti-depressant Seroxat, a product acquired when Novo bought Ferrosan in 1987. Costs were up 3 per cent to DKr9.01bn.

Health care sales were up 9 per cent to DKr7.81bn. Sales of diabetes care products rose 5 per cent to DKr4.95bn.

All of these securities having been sold, this announcement appears as a matter of record only.

**NEW ISSUE** 

October 16, 1995



14,950,000 Shares

### Diamond Offshore Drilling, Inc.

#### Common Stock

This offering represents the initial public offering of the Company's common stock. The Company engages principally in the contract drilling of offshore oil and gas wells worldwide.

NYSE Symbol: DO

These securities were offered internationally and in the United States.

International Offering

CS First Boston

Donaldson, Lufkin & Jenrette Merrill Lynch International Limited

ABN AMRO Hoare Govett Deutsche Morgan Grenfell Den norske Bank AS, DnB Fonds ING BANK

CS First Boston

**UBS** Limited

United States Offering 11,960,000 Shares

Donaldson, Lufkin & Jenrette Securities Corporation

Merrill Lynch & Co.

Bear, Stearns & Co. Inc. BT Securities Corporation Dillon, Read & Co. Inc. Goldman, Sachs & Co. Howard, Weil, Labouisse, Friedrichs Inversed Associates, Inc. PaineWebber Incorporated Prudential Securities Incorporated NatWest Securities Limited Salomon Brothers Inc Smith Barney Inc. **RBC** Dominion Securities Corporation Jefferies & Company, Inc. Wasserstein Perella Securities. Inc.

Gerard Klauer Mattison & Co., LLC Gaines, Berland Inc. Gabelli & Company, Inc. Johnson Rice & Company L.L.C. Neuberger & Berman Principal Financial Securities. Inc.

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**Huntleigh Securities Corporation** First Southwest Company

Josephthal Lyon & Ross

Rodman & Rensbaw, Inc. Southeast Research Partners, Inc.

Southcoast Capital Sterne, Agee & Leach, Inc. Southwest Securities, Inc.

Van Kasper & Company Trilon International Inc.

### Dutch paper group falls short of target

By Ronald van de Krol

KNP BT, the Dutch paper, packaging and distribution group, posted a lower-than-expected rise in third-quarter net profits, as sharp fluctuations in waste-paper prices led to inventory writedowns and a squeeze on margins in the packaging sector.

Net profits rose from FI 86m (\$54m) a year ago to F1116m. on sales up 16 per cent at Fl 3.7bn. However, this figure was well below the F1157m posted in the second quarter. It was also well short of analysts' forecasts, which had been as high as Fl 158m.

Shares in KNP BT, whose chairman is Mr Rohert van Oordt, fell heavily on the news, finishing the day at a 12-month low of Fl 42.10, down 7 per cent from Tuesday's close of

The main factor in the 1995 third-quarter was the drop in operating results in packaging from F1 65m to F1 39m, as operating margins were halved

from 7 per cent a year earlier to 3.5 per cent.

This in turn was caused by the sudden, strong rise in prices of waste paper - an important raw material in packaging products - in the early summer and the subsequent swift fall in prices later in the quarter. The decline was accelerated by customer stock reductions KNP BT, which built up

waste-paper stocks as prices rose, was forced to write down their value substantially to reflect the new market price at the end of quarter. The com-pany was unable to give an absolute figure for the amount of the write-down, but said: "We expect a clear recovery in [packaging] margins in the fourth quarter."

For the group as e whole, KNP BT forecast "considerably higher" fourth-quarter operating profits, producing "snbstantially higher" full-year net profits. Nine-month net profits surged 88 per cent to Fl 394m. In distribution, e broad sector covering paper distribution

Historic P/E Gross yield 2.21%

Earnings per share 3.0 (199 Current share price PT 42.10 erdem AEX lodex

and sales of graphic equipment, operating profits rose from Fl 47m to Fl 59m. But, as in packaging, KNP BT also reported a running down of stocks by paper customers. In the group's third sector, paper manufacturing, operat-ing results nearly doubled



from F161m to F1110m, partly reflecting strong demand for newsprint and magazine paper. There was a decline in demand for wood-free coated paper - a glossy white paper used in corporate annual reports – but KNP predicted a return to nor-mal demand levels soon.

### Munich Re looking to expand abroad

By Andrew Fisher in Munich

Munich Reinsurance, the world's largest reinsurer, is looking at further expansion possibilities abroad, especially in south-east Asia, France and North and South America, Mr Hans-Jürgen Schinzler, chair-

man, said yesterday.

However, Munich Re intended to continue growing through its own efforts and had no significant acquisitions in mind, although you should never say never".

It would continue its greater stress on strictly profit-ori-ented growth at e time of increasing risks in the insurance world.

Mr Schinzler singled out China as a market with considerable long-term potential. Munich Re would open an office in Shanghai and also deal with China from Hong

Kong. But it was shifting the emphasis in south-east Asia from its Hong Kong operation to Singapore.

He also said Munich Re. which last year had gross premium income of DM29hn (\$20.5bn), should be bigger in the US. In South America, he saw growth possibilities in Argentina. Chile, Brazil and

He expressed confidence the group would this year earn a similar level of profit to 1994-95, when net income rose 8 per cent to DM325m. Share-holders have been promised a dividend increase from DM12 to DM13.50 for the year to June

Munich Re has been following a more selective business policy in view of the increasing occurrence of natural and other disasters. This has profit of DM18m (after costs involving cutting exposure to and adjustments to reserves)

Munich Re Share price relative to the DAX Index 110

some high-risk sectors and renegotiating many contracts. Underwriting performance has improved strongly, from losses of DM1.3bn in 1992-93

hoped for a further underwriting improvement this year, but not as marked as in 1994-95.

Earnings per share also improved, from DM48.60 to DM72. Munich Re has announced a 1-for-11 rights issue, at a deeply discounted share price, to raise DM580m. Total investment assets, income from which helps bolster its financial position, rose last year 8 per cent to DM111bn. To make its shares :- cur-

rently quoted at about DM3,000 - more accessible to retail investors, Mr Schinzler said Munich Re would split them into DM5 nominal units from the present DM50.

However, this would not happen until 1997 at the earliest because of some of its shares were in registered form, necessitating difficult technical

### Creditanstalt-Bankverein ahead by 14%

By Ian Rodger in Vienna

Creditanstalt-Bankverein. Austria's second largest bank, reported a 14 per cent surge in consolidated third-quarter pre-tax profit to Schl.48bn, because of strong growth by central European subsidiaries and in the leasing business. Mr Guido Schmidt-Chiari,

chief executive, said he was confident the group's full-year net income would be better than the Schl.86bn (\$186.5m) reported last year. However, there was some

bad loan provisions, mainly because of current discussions over the future of Head. Tyrolia, Mares, the collapsed sporting goods company. Creditanstalt is one of the biggest lenders to HTM, and is being asked to forgive some of the deht by the potential

Mr Schmidt-Chiari said

Creditanstalt had improved its operating performance steadily this year after being caught wrong-footed in securities markets in the first quarter. For the nine months. uncertainty about the level of consolidated pre-tax profit

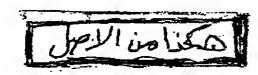
and DM379m in 1993-94 to a

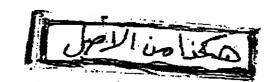
uncertainty over its future government had last month suspended its plan to sell its 69 per cent voting stake in the bank after the collapse of the governing coalition and the calling of new general elections "We assume that the elections. "We assume that the privatisation can be completed in 1996," the bank said.

Net interest income in the

increased by only 1 per cent to third quarter was down 10.6 per cent to Sch2.38bn and The bank observed that commissions declined 23 per cent to Sch934m, because of ownership and the timing of the weakness of the Austrian privatisation had had an stock market. However, adverse impact on its share trading income more than prices. The Austrian doubled from Sch252m to Sch654m and income from participations leapt from Sch26m to Sch266m.

Creditanstalt recently received a letter of intent from the Korean engineering group and Daewoo to huy a large part of its holding Steyr-Daimler-Puch weapons and antomotive group.







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SCA's activities are conducted through three separate business erees: Hygiene Producte, Packeging and Graphic Paper. Backing the business erees are the Group's vest resources for rew meterial supply. SCA's main markets are in Europe. The Group is active in some 20 countries and has 35,000 employees. The SCA shere is listed on the stock exchanges in Stockholm end London.

### PLDT ahead 41% at nine months

Philippine Long Distance Telephone Company (PLDT), the former state-owned carrier, lifted net profits 41 per cent to 4.69bn pesos (US\$179.7m) for the first nine months of 1995. The better than expected results lifted PLDT's shares by 35 pesos to 1,505 pesos at yesterday's close while the composite index

rose by 0.62 per cent to 2.484 yesterday.
"PLDT comprises only 7 per cent of the index but it is a recognised markat leader, so wherever it goes other stocks follow," said Mr Noel Reyes, an analyst at Dharmala Securities in Manila. The company said non-recurring gains from the initial public offering in July of its mobile phooe subsidiary, the Philipino Telephone Corp (Piltel), accounted for the bulk of the increase. Earnings per share declined marginally to 48.9 pesos from 52.1 pesos when gains from the Piltel share offering were excluded.

Mr Antunio Samson, vice-president of PLDT, said the non-recurring revenue increase was in line with forecasts. Operating revenues grew 11.2 per cent to 18.2bn pesos on higher demand for long distance and local services. International calls, which contribute about 60 per cent of overall revenues, grew 8.8 per cent in the first nine mooths. PLDT, also listed in New York, controls more than 80 per cent of the country's fixed telephone market, which has recently Edward Luce, Manila beeo opened to foreign competitors.

#### Teva sales and profits advance

Teva, the Israeli pharmaceutical company, reported an increase in profits and sales for the third quarter. The group, which this week announced plans to huy a 78 per ceot stake in a Hungarian pharmaceutical company, reported record sales in the US. Europe and Israel for its line of largely generic drugs. Net profits were US\$21.6m on total sales of \$165.3m, compared with \$17.5m on \$143.5m sales in the third quarter of 1994. Teva, Israei's largest producer of pharmaceuticals, also announced a cash dividend of Shk 0.20 per American Depositary Receipt.

The agreement to buy a 78 per cent stake in Biogal Pharmaceutical Company for \$26m is contingent on the conclusion of a reorganisation plan for the Hungarian company. The stake would be part of Teva's expansion into eastern Europe.

Earlier in the quarter, it announced that the US Food and Drug Administratioo had accepted its application for Copaxooe, a new multiple sclerosis drug, after having earlier rejected the application on technical grounds. The company's expansion plans hinge oo the approval of the drug for marketing in the US and Europe, If Copaxone is approved analysts forecast worldwide sales as high as \$300m-\$400m

#### Hvundai Motor expects 31% rise

Hyundai Motor, South Korea's largest vehicle maker, said it expected a net profit of Won180bn (\$233m) in 1995, from Won136,8bo last year. The growth in net profit would be driveo by increasing exports and new models at home, said Mr Kim Jong hyok, general manger of Hyundai's export marketing team. He said total sales were expected to rise from Won9,050bo in 1994 to Won10,300bo this year,

Mr Chon Sung-won, Hyundai Motor president, said earlier that the company expected to export 460,000 vehicles this year, against 390,000 last year. The company's total production would be 1.3m units this year, after 1.15m last year. "We expect to achieva production of 2m units by the year 2000," he said. Mr Chon said the company's research and development spending was forecast to rise to 7 per cent of total sales in 2000, compared with 5 per cent now.

#### Bajaj Auto lifts earnings

Bajaj Auto, India's largest manufacturer of scooters and motorcycles, recorded a 30 per cent rise in oet profit to Rs1,78bn (\$51.5m) for the first half to September 30. Group sales also rose sharply, from Rs9.93bn in the same period last year to Rs12.81bn. The company produced a total of 621,498 two- and three-wheelers in the period, up 18 per ceot from 531,039 in the same period last year. It sold 613,979 vehicles in the last six months, up 18 per cent. Exports during the period were valued at Rs932.1m, against Rs643.2m last time.

Although Bajaj Auto had declared a net profit of Rs1.78bn, the company said it was using a slightly lower figure to calculate its earnings per share. This was to provide for any adjustments to tax paid by the company last year. The adjusted figure worked out at Rs1.75bn, giving earnings per share of 43.9 rupees oo an annualised basis.

 Arvind Mills, india's leading dealm manufacturer, which belongs to the Lalbhai group of companies, recorded a fall in first-half profits. Net profit dropped 22 per ceot to Rs502.7m (\$14,55m), compared with the same period last year. The company said this was due to higher depreciation expenses, up 16 per cent to Rs230.5m.

### New World Development fall disappoints investors

New World Development, the Hong Kong property-based con-glomerate which recently spun off its infrastructure interests in a separate listing, yesterday reported a worse-than-expected 20.6 per cent fall in net profits, from HK\$4.3bn to HK\$3.4bn (US\$440m).

The decline was largely caused by a reduction in property sales. Group turnover fell from HK\$18.59bn last time to HK\$17.46bn.

Investors, who have been

weeks, yesterday marked the share price down 1.9 per cent to HK\$28.25. The blue-chip Hang Seng Index, which on Monday reacted badly to reported earnings from China Light and Powar, the electricity supplier, tumbled 1.75 per cent yesterday to

9.562.45 New World's earnings per share fell 20.2 per cent, from HK\$2.57 to HK\$2.05, on a fully diluted basis. The directors are proposing the final dividend be held at 78 cents. Tha sluggiah property

the progress of pre-sales at some davelopments was "satisfactory". On the plus side, home

market, which New World believed had yet to recover.

had curbed its sales, although

buyers were focusing on the primary markat, where discounts, perks and top-up mortgage loans were available, and prices were becoming more affordable, said Mr Henry Cheng, managing director. The residential market was reckoned to have fallen by between 20 per cent and 30 per cent from the peak last year.

However, the company did not mention its residential development in Discovery Bay, a largely middle-class enclave on Lantau island. Analysis believe the company is still holding a substantial number of units, after pitching the price at a premium of about 24 per cent to similar flats on

offer at the same time. New World is one of Hong Kong'a biggest investors in China and is active in commercial and residential developments, government housing projects and city core

the life and improving the prof-

itability of the mines. While gold is the current

focus, the restructuring of Gen-

gold is but one strand in Mr Gilbertson'a efforts to hava

Gencor recognised as one of

the world's leading natural

Since taking over as chair-

man in 1992, he has made rapid

First, Gencor unbundled,

divesting itself almost entirely

of its industrial investments. It

acquired Billiton in 1994, the

company which held the natu-

ral resource assets of Royal

Dutch Shell, lifting its offshore

presence. The same year saw it acquire the coal interests of Rand Mines and in June this

year announced Gencor and

Lonhro planned to merge their

Gencor has been investing

heavily in the Columbus stain-

less steel development, and the

Alusaf aluminium project, two of the largest industrial under-takings the country has seen.

Both represent an important

break from the group's past of

developing deep-level gold

tional shareholders still hold

He wants to raise Gencor's

profile in the international

capital markets and speaks wistfully of how RTZ and CRA

tapped two capital markets in

thair recent merger deal.

If we want to be able to.

undertake these big deals, we

can't afford to be viewed as an

odd South African company in

Mr Gilbertson argues that

international investors need to

lcok at Gencor in terms of the

quality of its assets, rather than where its head office is

Asked how he might close

this gap, he replies, with an

impish smile: "If I bought BHP

[the Australian resources

Even if spoken in jest, his reply is sufficient confirmation

that Gencor's global plans are

group), for example."

the emerging market index,"

son would like to close.

While 45 per cent of cash

platinum interests.

resource groups.

It has 30 commercial and residential developments on the mainland, but warned that China's property market was undergoing some consolidation in its transitioo period. The group was monitoring the situation to ensure that it could capitalise on all future

opportunities. Since the end of the financial year the company has spun off both its infrastructure interests, which raised HK\$1.8bn, and its hotel interests, which grossed US\$172m from a flotation on Wall Street.



### Gencor seeks a new crock of gold | TNT-Air NZ talks

### SA mining house is moving away from its traditional base

r Brian Gilbertson, Gencor chairman, Gencor chairman, has concluded many deals much larger than this week's announcement of the sale of four gold mines to Randgold, but few can rival it for symbolic importance. Divestiture oo this scale from gold is without precedent in South Africa.

It underlines the gold mining industry's parlous circumstances, as well as signalling a new phase in the management of the mining houses which bave dominated the South African economy since the dis-covery of the Johannesburg gold fields in the 1880s.

The big step Gencor has taken is to acknowledge that it has better ways of investing its time and money than in supervising the graceful demise of ageing gold mines.

In itself, that may sound unremarkable, but it is a large step in an industry steeped in romance and history, where ceremonies marking 25 years service on the mines still remain an important annual

The mines are often in far flung places without any physical, commercial or social infrastructure. The mining houses have had to provide these and in doing so develop towns whose existence is due to the presence of the mine.

So, for the good burgers of Buffelsfootein, Stilfontein, Grootvlel and Unisel, the four mines involved in the Gencor sales, Mr Gilbertson probably eologs the status of traitor right now. However, his reasoning is

difficult to fault. "Gold has let us down. Everything else has met the mission requirement of real growth. Gencor's core business is world-class ore bodies. We would rather get on and do the things that can make a difference to our bot-

In fact, the catalyst behind the deal was not Mr Gilbertsoo, but Mr Peter Flack, the chairman of Randgold, who over the past year has been responsible for breathing new life into the moribund mines run by the then Rand Mines.

The two men have done busioess before. In 1993, Mr Flack tcok the faltering West Rand Cons mine off Gencor's hands.

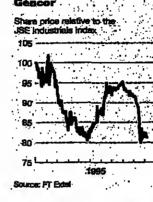


Mr Flack says: "What mining houses are good at is discovering deposits and bringing them to account. I didn't think they were good at closing things, at rehabilitating them, and he agreed with me."

By dispensing with the mines' most significant overhead - the management con-tracts, under which mining house head office provides consulting services to its mines, for a fee - Mr Flack believes he is able to make these marginal mines more viable.

In this case, the price he had to pay for getting the two mines be wanted, Unisel and Grootviei, was a package deal which involved taking Buffelsfontein and Stiltontein off Gencor's hands. Mr Flack is buying Unisel

and Grootvlei, with the intention of lengthening the life of two of his other mines, respectively Harmony and ERPM. His initiative was well timed because lt came when Gencor had embarked on a restructuring of its gold interests. The catalyst was declining profits, with Gengold, Gencor's



gold mining arm, making only R10m (\$2.7m) in the September quarter, its worst performance. The first step, announced in July, involved dividing the group's international and local gold portfolio, with the exploration effort to be focused off-

ore important, on the domestic front, the link between the head offices and the mines was changed, with much more autonomy given to mine

"The days of head office earnings last year came from ootside South Africa, internaspeaks and everyone else salotes - that is gone," says only 7 per cent of the group's stock. This is a gap Mr Gilbert-Mr Gilbertson.

Management is also being restructured, with the head office complement halved and the number of vertical management layers between the chief executive and the face worker cut to five or six, from 11. Operations are being restruc-

tured through a range of initiatives, including a move towards continuous production and productivity based remuneration, aimed at extending



Indosat turns in 55.2% improvement in third quarter

### 'making progress'

By Nikki Tait in Sydney

TNT, the Sydney-based transportation group, and Air New Zealand indicated yesterday that talks about a "progressive sale" by TNT of its 50 per cent holding in Ansett, the Austra-lian airline, to the New Zealand group were making headway. They said an announcement could be made

shortly. But Mr Fred Millar, TNT's chairman, warned that the Australian airline was unlikely to make an operating profit in the current financial year.

Both TNT and Air NZ held annual meetings yesterday, and told their shareholders they had hoped to seal the share sale deal in time for the meetings. In Sydney, Mr Fred Millar

said he regretted that this had not been possible, but did not explain the delay, However, in Auckland, Mr Bob Matthew, his Air NZ counterpart, said that "much progress" had been made in the talks.

"There are a few matters outstanding which f hope will delay an announcement only a few days," Mr Matthew said. The possible sale by TNT of part of its holding in Ansett

follows abortive discussions

earlier this year between Air NZ and Ansett's other half-owner, Mr Rupert Murdoch's News Corporation. The Australian government

decided unilaterally in late-1994 to abandon moves to a trans-Tasman "open skies" regime. This denied Air NZ acceas to tha Australian domestic market - which remains a duopoly between Ansett and the now-privatised Qantas.

Mr Millar warned yesterday that there was little chance of Ansett making an operating profit in the current year. He blamed the poor 1994-95

results - which saw after-tax equity consolidated profits fall from A\$151.6m to A\$51.6m (US\$38.8m) - on marketing efforts by Qantas before priva-tisation.

Problems stemming from the new runway system at Sydney airport, and the start-up losses in Ansett's international business, were other factors.

Ansett planned to acquire aircraft, especially wide-bodied aircraft, "to improve its competitive position and to cope with the continuing problams of Sydney airport". But "the delays in acquiring such aircraft are likely to prevent Ansett making an operating profit this year".

### **Poor Ansett result hits** transport group hard

By Nikki Tait

TNT announced first-quarter. profits after tax but before abnormals of A\$640,000 (US\$481,000), down from A\$142m a year ago, after poor results from Ansett, the Ausquarter were A\$27.5m, comtralian airline.

The figures to end-September are struck on an equity-consol- TNT's Spanish operations, as idated basis. Revenues were up from A\$1.45bn to A\$1.81bn.

TNT did not break out the contribution from Ansett, but said that on a non-equity consolidated basis (stripping out the Ansett impact) its pre-abnormal profits would have risen from A\$4.97m to A\$12m.
"The equity consolidated

Philip Gawith results are affected by a large deterioration in the operating

profit of Ansett, but the consolidated results are pleasing," Mr Fred Millar, chairman, said. After an abnormal surplus of A\$26.3m, compared with A\$5.1m a year ago, TNT's bottom-line profits for the first

pared with A\$18.3m. Mr Millar said problems with well as with Ansett, had put paid to a final dividend last year, and there would be no interim payment this time.

predict the situation at the end of 1995-96. But if oegotiations over the sale of TNT's stake were successful, "the board might possibly be in a position to recommend resuming payment of ordinary dividends

### Carter Holt reports 33% rise

#### By Terry Hell in Wellington

Carter Holt Harvey, the New Zealand forestry group, lifted record NZ\$271m (US\$177m) for the six months tu September 30, helped by strong puip and paper prices.

The price rises more than offset lower profits for the company's wood and building products divisiums in both Australia and New Zealand, directors

The company, controlled by international Paper of the US, recorded an 82 per coot advance io earnings to NZ\$93m from its pulp and paper divi-sion before loterest and tax. Average prices for pulp reached US\$875 a tonne, a 19 per cent increase on the same period of last year. Earnings from the recently acquired Australian tissue and plywood operations of Bowater were included for the first

However, the forest aod wood divisions saw earnings before interest and tax fall 17 per ceot to NZ\$136m. Mr John Faraci, the oewivappointed chief executive offi-

cer, said the company's strong balance sheet and cash flow placed it in a good position to buy new businesses. The compacy has said it intends to bid for a large area of North Island forest wblcb the government has indicated

If successful, this would give Carter Hult Harvey cootrol of 48 per cent of the North

it might sell over the coming

Island's forestry resources. The company is considering expanding its Kinleith and Whakatane board mills, and its medium-density fibreboard lant in Nelson.

Group turnover rose 19 per cent to NZ\$1.5bn while tax was NZ\$64m against NZ\$62m last time, representing an overall tax rate of 31 per cent. Equity earnings from associ-

ated companies, mainly the Chilean company Copec, rose 68 per cent to NZ\$123.7m. Since March 31 equity as a percentage of total assets has risen from 62.7 per cent to 65

Mr Faraci said the building busioess was expected to improve during the second half of the year, and better returns were also expected from from its packaging subsidiary.

### By Manuela Saragosa

fndosat, the Indonesian state-controlled telecommunications company which was partially listed in New York and Jakarta in October last year, said its third-quarter net income rose 55.2 per cent on the same period last year. This was in spite of slower

growth in national traffic and increased competition in pro-viding international telephone Nat income rose to Rp121.6bn

(\$53.3m), up from Rp78.4bo in the third quarter of 1994, while operating revenues in the third quarter this year rose 17.9 per cent on the comparable 1994 figure, to Rp237.7bn. Indosat said its International telephone traffic grew by 16.2

#### per cent in the nine months to had been spent on marketing September this year, slightly activities in the first nine below its expectations.

The company faces growing competition from Satelindo, another Indonesian satellita telecommunications company in which it owns a minority atake, along with Deutsche Telekom's subsidiary DeTe Mobil. Indosat and Satelindo compete in providing international direct dial services but competition is limited to mar-

keting rather than pricing. Indosat executives said Satelindo had won about 4 per cent of ontgoing telephone traffic and 1.25 per cent of incoming traffic. However, Indosat'a incoming and outgoing paid minutes for the third quarter increased by 18.3 per cent and 10.5 per cent respectively.

The company said Rp9.5bn

months and that by the end of this year it would have spent between Rp12bn and Rp15bn. Separately, the company said

it had yet to select a foreign international telecoms company to take a stake in Telkomsel, the GSM mobile phone service which it owns along with PT Telkom, the domestic telecoms group which will be listed in Indonesia. New York and London this month

However, Indosat confirmed that a domestic company was also negotiating to take a stake in Telkomsel. Indonesian newspapers have reported that Mr Hutomo Mandala Putra, one of President Suharto's sons, with his business partner Mr Setiawan Djody, are poised to buy into Telkomsel.

International telecoms companies, including PTT Telecom of the Netherlands, have placed hids to take a 20 per cent stake in Telkomsel. The foreign strategic investor is expected to provide technical know-how, technology and marketing expertise.
ft is not clear what benefits

Mr Hutomo would bring to Teikomsel. He controls the Humpuss Group, an infrastructureto-petrochemicals conglomerate. A winner for the stake is expected to be announced at the end of this month. Indosat raised about \$1hn when it listed 25 per cent of its stock in New York and 10 per cent in Jakarta in what was

widely regarded as a successful initial public offering.

PT Telkom, the Indonesian telecommunications group, said some 700m shares would be allocated to domestic institutions and employees on a fixed basis after the issue was fully sobscribed during last week's offer Renter reports from Jakarta.

Telkom said 116.7m shares, or 1.25 per cent of those out-standing, had been taken up by Telkom'a employees. It said 21 state-owned institu-

tions, including pension funds such as Bank Indonesia, Bank Nasional Indonesia, and insurance companies auch as PT Astek and PT Taspen, aub scribed 373.3m shares, or 4 per cent of the total. Telkom said they had agreed to keep the shares for two years. Another 467m shares would

be allocated to domestic institutions and individuals on a pooling basis, it added.

### **X**CARIPLO

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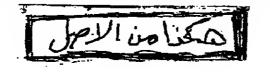
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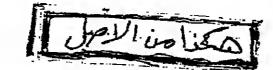
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#### INTERNATIONAL COMPANIES AND FINANCE

#### AMERICAS NEWS DIGEST

### Tax gain behind 37% surge at YPF

A big tax-related gain, higher crude volumes and a good downstream performance saw profits at YPF, Argentina's biggest oil and gas producer, surge 37 per cent to \$264m in the third quarter from a year earlier. Excluding a \$65m net gain, echieved by using federal bonds to pay tax liabilities as part of Argentina's 1995 tax moratorium, third-quarter profits were

\$199m - 3.1 per cent higher than a year earlier. Nine-month earnings rose 66 per cent to \$667m from the same period in 1994. Even treating this year a tax moratorium gains as extraordinaries, nine-month profits were 44 per cent

Results include \$67m in net second- and third-quarter losses from Maxus Energy Corporation of the US, which YPF acquired for almost \$800m earlier this year. YPF said it had already taken "a oumber of steps towards running Maxus more profitably". Administrative staff had been cut from 325

Third-quarter operating income at Maxus was \$9m, on revenues of \$142m, but after deducting financial costs, other non-operating charges, income taxes and preferred dividends it posted a net loss of \$42m. YPF hopes to turn the unit round by early 1997. Mr Christopher Ecclestone, a broker at Interactiones, remained sceptical about Maxus, hot said the YPF results were good and that it was an attractive stock, trading at a price/earnings ratio of about seven.

David Pilling, Buenos Aires

#### Mexico rules on natural gas

North American companies said they would compete in Mexico's liberalised natural gas sector yesterday, as new rules were issued to complete the regulatory framework of the sector, Novocorp International, a subsidiary of the Canadian pipeline and energy company Nova Corporation, and San Diego Gas and Electric, a Californian utility, said they would compete for concessions in the natural gas storage and distribution sector, which was opened to the private sector

last spring. Regulations to govern the relationship between private entrants and the state monopolies that control Mexico's national electricity grid and its petroleum and gas extraction industries came into force on October 1. The rules published yesterday determine customer requirements, bid procedures for concessions, and principles of open access for the natural

Dr Kent Jesperson, president of Novocorp, said the Mexican natural gas industry had great growth potential. Although Mexico's proven reserves are similar to Canada's - about 70 trillion cubic feet - the country produces only a fifth of Canada's output. Furthermore, environmental regulations coming into effect after 1998 will require Mexico to substitute natural gas for fuel oil in many of the country's power plants.

Daniel Dombey, Mexico City

#### Chilean bank pays off debt

Banco de A. Edwards has paid off its 51.1bn pesos in subordinated debt, equal to about \$125m, to Chile's central bank. The Chilean bank raised the sum through a \$207m capital increase, most of that through a placement this week of American Depositary Shares.

We have been able to pay this thanks to the confidence of investors the world over," Mr Sergio de Castro, Banco

It became the third bank to cancel its debts with the central bank through an ADS placement, following Banco O'Higgins . and Banco Osomo last year.

#### SNC-Lavalin ahead in term

SNC-Lavalin, the Canadian-based international engineering consultant and project manager, posted higher third-quarter earnings and its order book at September 30 stood at C\$1.8bn

(US\$1.3bn), up from C\$1.4bn a year earlier.

Net profit for the latest quarter was C\$7.8m, or 50 cents a share, up from C\$7.2m, or 46 cents, a year earlier, on revenues of C\$225m against C\$193m. Engineering-construction provided

Nine-months profit was C\$24.1m, or C\$1.53 a share, up 10 per cent from C\$21.9m, or C\$1.40, on revenues of C\$712m, up 10 per cent from C\$650m. Robert Gibbens, Montreal cent from C\$650m.

#### LeBow and Ichan plan to lift stake in **RJR** Nabisco

By Maggie Urry in New York

Details of an agreement between Mr Bennett LeBow's Brooke Group and Mr Carl Icahn to invest up to \$500m in RJR Nahisco stock have emerged in a filing with the Securities and Exchange

Mr LeBow is pressing the tobacco and food group to spin off its Nabisco food company, which he believes would result in greater stock market value for shareholders.

Mr Icahn has pledged his support to the Brooke Group's

RJR Nabisco hit back with a letter to shareholders con-demning Mr LeBow and Mr lcahn's histories of corporate activity. It said a spin-off now could leave the company "eotangled in litigation for

years".

Brooke Group is soliciting support from other shareholders for a resolution which would "request and recom-mend" an immediate spin-off of RJR Nabisco's 80.5 per cent

In January, RJR Nabisco floated a 19.5 per cent stake in Nabisco. RJR Nabisco bas maintained that a rapid spin-off of the rest would not be in the best interests of

Plaintiffs in cases relating to the tobacco side could argue that a spin-off on the food activity was a "fraudulent cooveyance" as it could remove a possible source of cash for

The SEC filing gives details of a pact between New Valley, an affiliate of Brooke Group and High River, a company owned by Mr Icahn, signed on October 17. Uoder the deal, "the parties agreed that each ... would invest up to approximately \$250m" in RJR

Nabisco. · At the same time, New Val-ley sold 1.61m RJR Nabisco shares to High River for \$51m. Brooke Group has 4.89m RJR Nabisco shares, and High River owns 8.01m shares, together making 4.7 per cent of RJR Nabisco's ordinary shares, worth \$381m at yesterday's share price of \$29%,

The agreement also provides minate the part, in certain cir-cumstances, it would pay the other party \$50m.

The circumstances would include the sale by Brooke Group of Liggett, its tobacco husiness, to RJR Nabisco, or the sale by either side of its RJR Nabisco shares to RJR

### News Corp falls despite strong TV growth

By Tony Jackson

Third-quarter earnings from Mr Rupert Murdoch's News Corporation fell 5 per cent to US\$210m, as a strong performance from television and newspapers was more than offset by weakness in films, magazines and book publishing.

Operating profit from the US was up 6 per cent at \$221m, making up 79 per cent of the group total compared with 73 per cent the year before. Prof-

were up 30 per cent, largely as a result of acquisitions. During the quarter, the US authorities ruled that News Corp was entitled to own TV stations despite being a foreign company, clearing the way for acquisitions. Profits at the Fox TV net-

lower ratings and fewer new programmes. Profits from the Fox film studios also fell In magazines, profits from TV Guide were down as a result of higher newsprint

work were down because of

after a 10 per cent rise in the cover price. HarperCollins, the book publisher, made lower profits because of the delayed launch of several titles.

In the UK, profits were 4 per cent lower at \$46m. Profits from newspapers rose 20 per cent. Advertising revenue was up 8 per cent, with the strongest growth from The Times and News of the World. Cover price increases, after a price war with Mr Conrad Black's Telegraph group, had had little

Profits from Aostralasia were down from \$29m to \$12m, chiefly because of higher start-up costs at Star TV, the Asian satellite channel. Profits from Australian newspapers

were flat. Profits from BSkyB, the 40 per ceot-owoed UK satellite channel, were up 36 per cent, with subscribers up 5 per cent from three mooths before. However, profits were dowo sharply at Ansett, the 50 per

cent owned Australian airline and profits from associates overall fell 27 per cent to \$57m. Across the group, profits from newspapers were up 4 per cent at \$80m oo sales up 8 per cent. TV profits were up 67 per cent at \$82m on sales up 26 per ceot. Magazine profits were down 11 per cent at \$48m on sales up 6 per cent. Film profits were down 47 per cent at \$30m. on sales 8 per cent lower, and book publishing profits were down 13 per cent at \$12m on

### Vereinsbank leads Oppenheimer race

and Maggie Urry in New York

Bayerische Vereinsbank has emerged as the leading candi-date to acquire Oppenheimer Group, the US financial services partnership, in a deal which could be worth more than \$500m and which marks an aggressive continuation of German banks' drive into international investment

hanking. Oppenheimer Groop owns Oppenheimer & Co, the brokerage, investment banking and fund management firm. It also has a 34 per cent stake in Oppenheimer Capital, which manages \$32bn in pension and other institutional funds, and runs the Quest For Value mutual funds. The group is no longer associated with Oppen-

heimer Management, a mutual fund company. The Munich-based bank yesterday confirmed it was in discussions with Oppenheimer "and studying possible co-operation". Oppenheimer also confirmed the talks were "oogoing". Both declined to comment further or name a

possible price. Analysts said an agreement could be concluded in a few

weeks now that other banks appeared to have bowed out. Those involved in the talks are said to be keen to have them completed by the end of this

Early this year, Oppen-heimer had been in talks with ING of the Netherlands, until ING acquired Barings of the

UK. Later, Germany's Commerzbank and National West-

\$340m, and employs about 3,000 people. It has 12 branches in the US, a subsidiary in London, and representative offices in Bombay, Buenos Aires, Lima, Santiago and Milan. The acquisition would include the minority stake in Oppenheimer

The negotiations between Vereinsbank, the fourth-largest

and Oppenheimer reflect the German bank's awareness it has some catching up to do in the investment banking field.

commercial bank in Germany.

Deutsche Bank is actively integrating the operations of Morgan Grenfell, the UK merchant bank it bought in 1990, into its new Deutsche Morgan Grenfell investment banking unit. Earlier this year, Dresd-

The negotiations between Vereinsbank. the fourth-largest commercial bank in Germany, and Oppenheimer reflect the

German bank's awareness that it has some catching up to do in the investment banking field

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minster of the UK were also linked with Oppenheimer.
Oppenheimer has capital of

Capital, a quoted company.

ner Bank - number two in Germany after Deutsche Bank -

UK investment bank. Commerzbank held talks with Smith New Court, the big UK stockbroker, but lost out to Merrill Lynch of the US. Westdeutsche Landesbank also intends to build up its investment banking side, mostly in Tondon.

bought Kleinwort Benson, the

However, some analysts were sceptical as to whether

Vereinsbank would henefit from the deal. "To me, it's another touch of German bank megalomania," said Mr Step beo Lewis, banking analyst et Union Bank of Switzerland in London. They should stick to building up their business in

Germany and go for niches abroad to belp their domestic Uoder Mr Albrecht Schmidt, its chairmao, Bayerische Vereinsbank has been keen to build up its investment banking husiness. It has invested beavily in new technology in receot years and plaos oext year to set up a direct bank, along the lines of those formed by some of its German and for-

eign competitors. Vereinsbank bas ehout DM50bo (\$35.4bn) of funds under management and total assets of about DM340bn.

The attractions for Oppenheimer of a deal with Vereinsbank lie in the increased capital it would have, making it better able to compete in the US markets. It would enable the groop to expand its range of activities, and bring it a list of potential corporate finance clients from Vereinsbank's Lex, Page 16

1509

#### Michelin to top up US pension funds

cash into its US pension funds before the eod of the year, making it the latest in a line of companies io cyclical iodus-tries which have taken advantage of stronger cash flow to tackle severe pension deficits, writes Richard Waters in New York.

The French tyremaker said lt would also merge the US plans, for employees of Uniroyal Goodrich in the US, with its main Michelin plan, which is already fully funded,

Of the company's eight peo-sion funds in the US, five are underfunded, according to the Pensioo Benefit Guarantee Corporation, which administers the US insurance fund for pension benefits. At the eod of 1993, the eight plans had assets of \$540m and liebilities of

about \$1bn, the agency said. The US plans cover 8,000 curreot employees of Uniroyal Goodrich, as well as 20,000 retirees. After the reorganisation, the Micbelin fund will cover 41,000 people in total. Michelin said its cash cootributioo was being made "in agreement" with the PBRC.

# A Forthcoming oportunity to Invest in Russian Oil Companies.

The Russian Federal Government, through the Russian Federal Property Fund -

(RFFI), is to make available some of its remaining shareholdings in seven major

privatised oil companies.

Information Service - Fax:

The oil companies are Onako, Sibur, Sidanko, Sibnefr, VNK, Vosrsibnefregas and Yukos.

The shareholdings will be sold through specialised auctions to be held by the RFFI immediately with the sales expected to be completed by the beginning of December 1995. -

- Investment in Russia will benefit from the increasing progress of economic

stabilisation, enterprise restructuring, development of the capital markets, and legal and regulatory reform.

Further information can be obtained from: Russian Cash Auction

Take the time to look at investment opportunities in Russia.

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### Starting up from scratch

Former Wellcome executive has set up an unusual group for anti-viral drugs, reports Daniel Green

Between 15 and 20 job applications a week world'e biggest drugs company. Dr Barry himself left wellcome in June. Triangle Pharmaceuticals. Not bad for a four-month-old company with just nine staff.

But then Dr Barry is swimming in a sea of highly quali-fied pharmaceuticals industry persoocel washing over Research Triangle Park, the North Carolina business park where Triangle Pharmaceoti-cals is based. They are the more than 500 former employ-

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initial exercise prior per Start in respect of the Notes was described to be Year

ker price per Share of Yen 868 on

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By: The Tokei Bank, Limited,

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(the "Insurancesi") dated 12th

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AS POLLOWS:

(the "Company")
issued in conjunction with
S.5140,000,000 3% per cent.

He was head of research at Wellcome before Glazo's 29.1bn (\$14.4bn) takeover of his com-pany ended his career there. The other jobs were lost in cost cutting, easy to justify in the US because both groups had their main US operations at Research Triangle Park.

Dr Barry decided to leave when it became clear that Glaxo Wellcome would not want him to head its research effort. There were plenty of offers, he says, from both large drugs companies looking for research directors and smaller biotechnology businesses that wanted chief executives.

However, he decided to start from scratch. "The maximum negative is that the venture fails. And that's not the end of the world," he explains. Thus was born Triangle Pharmaceuticals, with the help of \$4m in venture capital led by Forward Ventures of California.

Dr Barry's team is made up entirely of former staff of Burroughs Wellcome (the US arm of Wellcome), including Mr Chris Rallis, vice-president of business development in the new company, and Mr James Klein, director of finance.

Not surprisingly, it will con-centrate on anti-viral drugs: Dr Barry led Wellcome's efforts to become the higgest seller of such drugs, of which Zovirax. for herpes, and Retrovir, for Aids, are the best known

Beyond that, however, Triande is a very unusual company. Unlike biotechnology companies, the standard model for a start-up in medicines, it is not trying to discover new drugs. Instead it plans to identify promising medicines and take them through the three main phases of clinical trials.

This is a risky business. Statistically, barely one in ten drugs entering Phase I trials



David Barry: Triangle does no Dr Barry believes its employ

ees' skills will give Triangle an

edge. He adds that there is drugs to choose from. The company has already been approached by German and Japanese companies interested in being taken over by Triangle. Dr Barry's team is looking at six of them; another three are expected to be considered

"We'll offer a free service to test potential Aids drugs," he says. The only condition is that if the drug looks good, Triangle will have first rights to negotiate for its acquisition.

The business will work, he says, not least because the economics of Aids drugs is changing. The number of medicines will increase faster than spending on treatments, he says. The area may eventually be split between a number of drugs each with sales of about £50m

That kind of money is of little interest to big companies, such as Roche of Switzerland and Bristol Myers Squibb of the US, which are developing Aids treatments. But for a small company like Triangle, it

Ansett regim

कार पुरस्ता भा

in third qualit

### Royal Navy frigate order vital for Vosper jobs

Mr Graham Bourne said that

the deal fitted with Ex-Lands'

strategy of buying high yield-

ing properties, which could be

improved, in locations with

Pre-tax profits in the year to

June 30 for the Ex-Lands group

including Clubbaus slipped

Before £474,000 demerger

costs, they rose 18 per cent to £1.5m. Fully diluted net assets

per share edged up to 30.6p

Earnings per share before

demerger costs increased by 37

per cent from 0.98p to 1.34p.

and slipped to 0.91p after. The

final dividend is 0.5p (0.42p),

increase of 19 per

an

redevelopment potential.

from £1.2m to £1.03m.

Vosper Thornycroft Holdings, the warship builder, yesterday warned it would cut its shipyard workforce by more than a third if it failed to win part of a £400m order for Royal Navy

The company, which is competing against GEC for the contract to build three Type 23 frigates, said it would be forced to lay off 500 workers next year if the Ministry of Defence awarded the business to its Yarrow

in warship building if GEC took the

Property Correspondent

A new company which plans to take advantage of the depressed UK golf industry is

being demerged from Ex-

Lands, the property company run by brothers Robert and

Shareholders will be given

one share in Clubhaus - which

has interests in six golf courses

in Germany, France, Belgium

and the UK - for every Ex-

The new company, which aims to be valued at about

£20m, plans to raise £5m

through a placing and open offer to finance its first UK

acquisition. Clubhaus is paying £2.5m for

the Dukes Dene golf club in Surrey. The club is being

acquired from the receivers to

the Japanese company which

Mr Robert Bourne, who will

be chief executive of Clnbhaus,

said it had cost at least £15m to

"Golf is a growth business

the problem was the supply of

new courses. Too many

courses were built without

sticking to basic rules about

location and cost. This pres-

ents us with a tremendous con-

as a joint venture with IMG,

the sports management com-pany beaded by Mr Mark

McCormack. Ex-Lands took

full control of the company last

Clubhaus was formed in 1990

tra-cyclical opportunity."

Graham Bourne.

Lands share.

built the course.

build the course.

chief executive. That message was echoed by Lord Wakeham, who became Vosper's chairman in July - the first former government minister to accept such an appointment following publication of the Nolan committee report on standards in public life.

The former energy minister and leader of the Lords said he told defence secretary Mr Michael Portillo in a recent meeting: "The best way of pricing warships for the Royal Navy is by a process of competitive tendering and that means there have to be two competitive

Ex-Lands proposes golf demerger

Moreover, the company said failure to win part of the Type 23 order expected before Christmas would lead not only to redundancies among its 1,400 shipyard workers, but would undermine its ability to bid for the Common New Generation Frigate, a collaborative warship programme between Britain, France and Italy. Vosper bas already laid off 100 short-term workers.

Nevertheless, shares in the company rose 5p to 865p yesterday after it announced an 11 per cent increase in first half profits and said export prospects were buoyant.

£11.4m on reduced sales of £114.5m (£128.6m) in the six months to September 30, of which exports represented 74 per cent.

Payments for current warship production helped lift operating profits from £6.74m to £7.48m, and Mr Jay said further orders of £450m would sustain the group until the turn of the century. The company, he added, was also hopeful of sharing in new contracts from Brunei, Kuwait, Saudi Arabia and the UAE.

It has also reduced its reliance on core warship activities by enjoying increased contributions from its

to stay

Sir Evelyn Rothschild, chairman of N.M. Rothschild,

the family-owned merchant bank which formerly held 27 per cent of broker Smith New

Court, has re-emphasised his commitment to keeping the

Sir Evelyn said the Roths

child family shareholders

intended to retain control" of

Rothschilds Continuation

Holdings, their Swiss bolding

company, and "remain firmly committed" to the indepen-

dence of the group.
His statement is thought to

follow an approach by National

Westminster Bank to take a stake in Rothschild. Although

this possibility is left open, Sir

Evelyn is not thought to want

to sell a minority stake. Rothschild has had discus-

sions with a number of invest-

ment banks over the distribu-

tion of securities following the

purchasa of SNC by Merrill

Lynch. SNC previously acted as the broking arm of Roths-

child on international equity

NatWest's initiativa is

thought to have been part of its discussions with Rothschild

over distribution. However, Sir

Evelyn is thought to be

opposed to any dilution of fam-

NatWest Markets, the invest-

ment banking arm of NatWest,

bas been seeking a way of

strengthening its advisory and

equity underwriting business

Rothschild is thought to be part of that effort.

the UK. Its approach to

ily control of Rothschild.

bank independent.

so-called developing business, which made profits of £2.2m.

In the medium term, Mr Jay said Vosper aimed to double profits in that division by seeking contracts to operate MoD services such as the Naval Recruiting and Training Agency and the Directorate of Marine Services.

Earnings per share rose from 21.6p to 23.9p and the interim dividend is increased to 6.8p (6.1p).

Failure to win an order for at least one of the Type 23 frigates would be a blow to Vosper, but not a mortal one. Given the company's strong sales record overseas, it should be able to deaden the impact by securing more Middle East orders; and it has plenty of cash to further expand its non-core businesses. Current work at its Southampton yard, meanwhile, should lift profits to about £28m (£25m) this year and 230m next. The prospects would be flat, however, if it has to make an estimated £4m redundancy charge. On a forward multiple of 15, the shares would be worth buying if it

won part of the Type 23 order, and probably worth holding even if it did

declined from 19.5 per cent at

the year-end to 18.9 per cent.

The churn rate - the number

of subscribers that do not

renew - fell from 31.1 per cent to 30.3 per cent in the same

Mr Graham Roberts, group treasurer, admitted that the

penetration rates were disap-

us but for the whole industry and it's aomething we have to improve on." He said the com-

pany'a network was now 40 per

cent laid and that it was on

schedule to complete the sys-tem - which will cover approx-

imately 2.7 homes - by the end

"This isn't a problem just for

period.

**Huntingdon cuts losses** 

### ADT gets \$340m for auctions

ADT, the Bermuda-based electronic security and car sales company, yesterday said it was selling its UK and European vehicle auction group for

\$340m (£215m). The sale follows a six month auction process, which ended when the company accepted a bid from a management buy-out team led by Mr David Hammond, deputy chairman of ADT, and Mr Thomas Gibson, chairman and chief executive

of ADT Auctions Group. Mr Michael Ashcroft, ADT group chairman, said it would now concentrate on its electronic security interests.

The company decided to sell the vehicle auction business, which made operating income of \$37m in the year to March 1995, because it needed investment to expand in continental

Europe.
Although ADT is the market leader in Britain, the parent company felt that spending elsewhere in Europe threatened to dilnte funds earmarked for the expansion of

its security operations. The grnnp yesterday announced plans to bolster those operations by paying \$93m for Alert Centre, the US electronic security and central

monitoring service.
It is paying \$9.25 a share for Alert, which boasts 131,000 mainly residential customers in Texas, Florida and Georgia. Announcing third quarter figures yesterday, ADT said operating income in the electronic security division rose from \$44.7m to \$48.1m. It contributed the bulk of total operating income of \$60.6m (\$53.7m) on sales of \$279.8m

(\$340.3m) in the three months to September 30. Tha division overshadowed the \$19.1m (\$15.5m) contribution from the vehicle auction side, of which the European snbsidiary made \$9.9m

Overall net income, however, fell from \$27.2m to \$19.4m following interest payments of \$23.4m (\$19.2m) and an \$8m extraordinary charge to cover deferred costs relating to a credit facility.

Third quarter earnings per share rose from 18 cents to 21 cents before extraordinary

ADT shares rose 5p to 893p.

New company plans £5m fund raising to pay for first UK acquisition | Rothschild Nynex claims success for discount pricing independent

Nynex CableComms, the UK's second biggest cable company, yesterday said its discount telephone pricing was producing sharp gains in subscribers, although the average revenue per customer had declined. Pre-tax losses increased 51 per cent to \$78.5m for the nine

months to September 30. Turnover more than doubled to £57.1m. Both were in line with analysts' expectations. Revenues from residential

elephones more than doubled to £24.2m. Television revenues doubled to £26.4m, although the pene-

tration rate - the level of subscribers against the number of

Operating profits for the

continuing businesses of Hun-tingdon International Hold-

£71.1m to £26.7m.

There were exceptional losses on these two divestments of

ings, the life sciences group, £70.8m last time and £28.1m rose almost 40 per cent in the 12 months to September 30, while at the pre-tax level, losses were reduced from Mr Christopher Cliffe, chief

Revenues in the 12 months

despite smaller sales consultancy, and in May it sold HEE, its engineering and envi-ronmental services business.

> The group is changing its year-end from September 30 to December 31. Mr Cliffe said most of the pharmaceuticals industry had a December year-

executive, said the group was now "cleaned up," had reduced were £81.9m (£162.5m): losses itself to a life sciences core, putting its difficulties behind per share were 0.268p (0.704p). it. However, be said HIH would In the fourth quarter there not pay a dividend until March-April 1997 at least. were pre-tax profits of £1.87m (losses £72.4m); operating prof-A year ago the group its on continuing operations of appointed administrators to Travers Morgan, the UK-based £2.13m (£1.95m); and earnings of 0.014p (losses 0.72p)

Coopers &Lybrand

### **Maritime Transport Services** Limited

(owner and operator of Thamesport)

### **Coopers & Lybrand**

acted as lead advisor to a syndicate of 11 banks on the disposal of **Maritime Transport Services Limited** 10

> **Rutland** Trust PLC for £52.45 million.

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Corporate Finance

week of the penetration of

accountancy firms into an area

traditionally dominated by

merchant banks. Last week

KPMG advised Rubicon Group,

pany, on its acquisition of Calder Group.

Following demerger, Ex-

Lands will be run as a pure

commercial property company under Mr Graham Bourne,

Yesterday the company

announced the acquisition of

an office and retail property at

Ludgate Circus in the City of

100 tenants and yields in

excess of 17 per cent at tha

The building has more than

chief executive.

London for £5.9m.

the precision engineering com

lowing the demerger Clubhaus

will be valued on its earnings

rather than the valua of its

assets, the traditional yard-

stick for valuing property com-

been trading at a wide dis-

count to net assets, slipped 1/2p

In the year to June, Club-

haus made pro-forma pre-tax profits of £875,000. Net assets

were £37m before the Dukes

Dene acquisition. The company

will have balance sheet gearing

tancy firm, acted as joint advis-

Touche Ross, the accoun-

Touche's involvement is the

of about 16 per cent.

ers in the demerger.

The company bopes that fol- second illustration within a purchase price.

Ex-Lands shares, which have

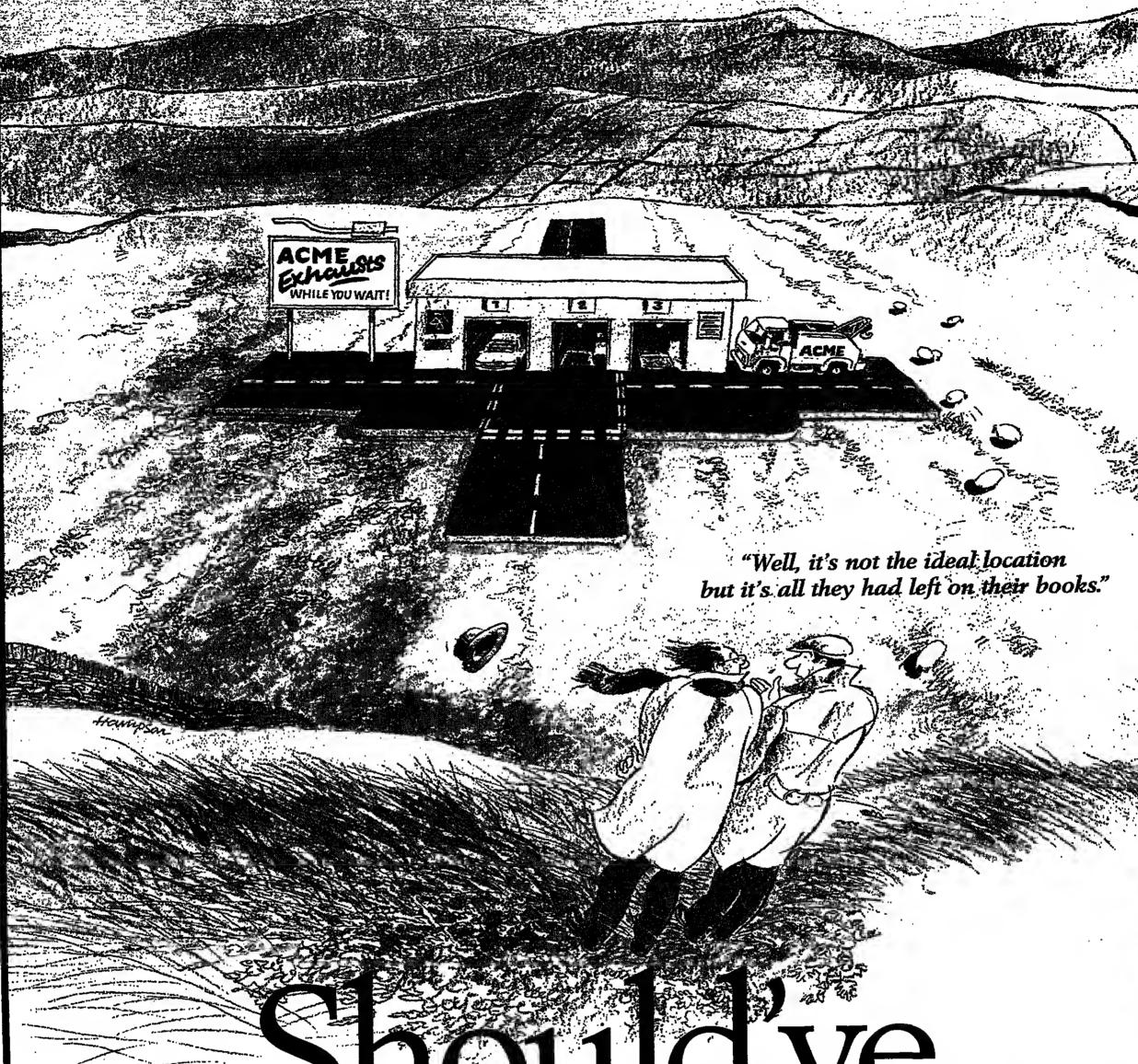
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FINANCIAL TIMES THURSDAY NOVEMBER 9 1995

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### Tobacco surge helps BAT rise 22%

By Roderick Oram, Consumer Industries Editor

Boosted by en "exceptional performance" from cigarette sales, BAT Industries yesterday reported a 22 per cent increase to £1.81bn in pre-tax profits for the nine months to September 30. Financial service profits were also well

The better-than-forecast tobecco result helped BAT's shares close up 14p at 547p. Analysts nudged up their fullyear forecasts to about £2.35bn, a rise of 30 per cent from a year earlier when BAT took e £190m restructuring charge. Tobacco trading profits were up 34

**CMG** forecasts

at least £19.5m

for full year

Computer Management Group,

the European computer ser-

vices concern which plans to

float simultaneously in London

and Amsterdam on December

1. expects to achieve a sharp

increase in pre-tax profits this

The group, which issued its

pathfinder prospectus yester-

day, has also extended its original plans for a placing with

institutional investors to

include an intermediaries offer.

3m new shares aiming to raise about £7.5m for CMG, is expec-

ted to total between £40m and

£50m, and will value the group

at about £160m. Existing share-

holders include 1,800 out of the

2.600 employees. CMG, founded in 1964, is one

of the oldest and most consist-

The offer, which will include

the third quarter against 22 per cent et the half year. Organic growth accounted for roughly half and acquisitions such as American Tobacco and new ventures in eastern Europe the bal-

"Even after the acquisitions fall out of the comparisons, BAT will still enjoy volume growth of 4 or 5 per cent a year after 15 years' static performance," one analyst said.

BAT's share of the world cigarette market rose about 1.5 percentage points to 12 per cent with strong performances in Brazil, eastern Europe and the US among other markets. BAT is seeking per cent at £1.21hn. Volumes rose 20 per more investment opportunities in east-

ern Europe. It believes Poland will be next to decide on foreign investors, and should do so by the year end.

Trading profits at Brown & Williamson in the US rose 60 per cent to £514m on volumes up 50 per cent. American obacco contributed roughly two thirds of the improvement.

The blackest spot was Australia, gripped by a prolonged price war. W.D. & H.O. Wills, BAT's 67 per cent-owned subsidiary, reported a nine month loss of £6.5m against a profit of £24m. Its market share was down ebout 5 percentage points to 26 per cent but the situation was getting no worse.

Cor Stutterheim (left) chairman, with Gerard Lucassen,

ment and advanced technology

solutions operations, and oo

"recurring revenues" in its pro-

essing services and facilities

CMG operates mainly in the

Dutch, British and German

markets and has focused on

management operations.

managing director; will continue to focus on existing customers

tions, public sector and facili-

ties management sectors. Kleinwort Benson is edviser

and sponsor to the London list-

ing and ABN Amro Hoare Govett is sponsor to the

be priced on November 30:

The shares are expected to

Amsterdam listing.

Financial service profits rose 19 per cent to £789m, to which general insur-

ance contributed £498m (up 30 per cent) and life and investment businesses £296m (up 4 per cent).
Farmers, the US insurer, was up 12

per cent at £430m. Eagle Star, the UK insurer, was also well ahead at £185m pre-tax with a slight deterioration in underwriting offset by much improved investment returns.

Allied Dunbar was down 13 per cent et £108m, reflecting "extremely difficult" conditions and low consumer confidence in the UK markets. Life new business premiums were down only 4 per cent, compared with far steeper falls for many of its competitors.

Earnings per share were 35.6p, up 16

#### Argent raises £15m to help fund purchase

By Simon London,

Argent, the property investment and development group which floated on the stock market in June 1994, yesterday raised £15.4m from an institutional placing.

The cash will be used to help finance the £27.7m acquisition of The Fishergate Shopping Centre in Preston, Lancashire. The company placed 5.4m shares, equivalent to an increase in share capital of just under 10 per cent, at 280p. The adjusted net asset per share at its March year end

Argent is buying the Fisher-gate Centre from Scottish Amicable, the life insurance group. The centre produces a ne equivalent to a net yield of 8.6 per cent at the purchase price.

Mr Robert Laurence, a director, said gearing would have crept to an uncomfortable level if the acquisition had been financed only with debt.



Boh Lawson: 'increased the range of products'

group paid £1.9m for e Spanish distributor, its first purchase

in the country.

Net cash fell from 263.3m to 248.9m, reflecting demands on working capital during the

The investments of £16m during the year included £8.2m for the construction of e distrihution centre at Nuneaton, Warwickshire, of which the second phase is due to become operational next summer. Extra expenditure was also

put into increasing inventory levels and widening the stock were significant range as part of the group's investments to improve capacity in the German and Italian strategy to improve its service distribution centres, while the

said although there was ev dence of economic slowdown is some markets, the companied looked forward to continuing growth in the second half.

Having consolidated its posimarket. Electrocomponents its setting its sights on Europy and beyond. The high margins the group enjoys in the UK aren not yet being matched overio seas and the company will have to invest steadily top achieve that. It has the resources to do so - more than 250m at the last count - and is not resting there, also eyeing the fragmented Asian market where a significant presence would pay dividends. Pre-tax-profits this year could touch £190m, giving earnings per share of about 15.5p and put-ting the shares on a forward multiple of nearly 19, more than a 20 per cent premium to the market. While deserved the 3p fall in the shares to 325p yesterday suggests that the price has caught up with

### Dividend policy concern undermines British Gas

By Robert Corzine

There

Mr Richard Giordano, chairman of British Gas, must rue the day last entumn when he announced that "future dividend growth should be pos-

components, the catalogue dis-

tribution group, raise half-year pre-tax profits 18 per cent from

Turnover increased 19 per

cent to £257.3m for the six

months to September 30. The

company also announced its first acquisition in east Asia,

paying £1.6m for a distribution

Operating profits in the RS

catalogue business in the UK

rose 14 per cent to £37m on

sales 16 per cent higher at

Mr Bob Lawson, chief executive, said that the UK business

was benefiting from the export-

"Behind the overall positive

economic picture, we have increased the range of prod-

ucts, widened our geographical coverage and introduced addi-

ional services for customers.

In the rest of Europe, operat-ing profits doubled to £1.6m on

sales 42 per cent ahead at

ed recovery in the economy.

35.5m to £41.9m.

This week investors have atched the company's shares fall to e three-year low as uncertainty has increased over its future performance in a competitive British market.

The yield has increased to nearly 8 per cent, twice the market everage and a level which some suggest discounts e dividend cut.

But is a cut likely? In September, with the interim results, Mr Giordano said: "It is the board's intention to maintain the final dividend for 1995," in spite of "pressure on our dividend cash cover". Most analysts helieve the

14.5p pay-out is secure for this year, but opinion is divided about the outlook for 1996. idend cash cover formula is under pressure because of increased competition and lower gas demand, it would be a surprise if the company reacted with such a radical

step on the final dividend. 'A yield of 7 per cent to 8 per cent says there will be no dividend is in danger.

In recent years only two hig UK energy companies, British Petroleum and Lasmo, heve cut their dividends. In both cases the companies did not have the earnings to cover a full pay-out. British Gas, hy contrast, has the advantage of

e strong balance sheet. "This year they are okay." said Ms Irene Himone at Société Générale Strauss Turnhall in London, "But next year is up in the air. Nothing can be

ruled out."

Analysis also helieve any early action to alter the dividend would call into question the credibility of the manage ment it is too closely identified with last year's dividend announcement, to change

course suddenly,
A pre-emptive cut "would make them look like mugs," said one analyst yesterday. Such an ection would be tantamount to telling shareholders that the board had lost conhad "given up trying to resolve the company's problems".

Analysts note that the biggest financial pitfalls fecing British Gas, such as its undetermined liabilities over long-term gas contracts with North Sea producers, will emerge only over time. Even if

said one analyst.

Any pre-emptive cut woulden also result in intense pressureil on Mr Giordano, who is mostis closely identified with the provisgressive dividend policy, toib

Opinions were divided, however, on what the companyer

might do next year. Two issues dominate. Theq first is the take-or-pay contil tracts, requiring British Gas to pay producers for gas it no lon-ger has a market for.

The second is the price review by Ofgas, the industry regulator, on TransCo, the pipeline. division, which accounts for the bulk of earl.

Some analysts say a harsh or review, coupled with limited a success in re-negotiating the contracts, would be enough to force the company to reverse its dividend policy.

Others think the contracts issue alone will determine the quarter fate of the dividend. "If they dividend is the state of the dividend is they divide the divide they divide t get a smooth renegotietion then the dividend will not bere under threet," said ones

ent policy is unsustainable to become clear until nexten spring at the earliest. And thatex means British Gas may waitth until it reports first-half earny ings next September to unveil any dividend policy changes.

INTERIM RESULTS FOR SIX MONTHS TO 30 SEPTEMBER 1995

forecast pre-tax profits of not less than £19.5m for 1995. The

previous year it reported

£14.1m on turoover of

After flotation expenses of

£1.7m, the directors forecast

pre-tax profits of not less than £17.8m for the full year, com-

pared with £8.64m at the

interim stage. Mr Cor Stutterheim, chair-

man, said the group was "well placed to take advantage of the

growth prospects in the Euro-

pean IT services market". The

flotatioo would raise CMG's

market profile and provide

access to capital markets if

needed to help finance ecquisi-

He emphasised that the

group would continue to focus

on its existing customers, on

repeatable" business in its

consultancy, systems develop-

# Building Businesses

"The first half of the year has seen a good operational performance

from the company. We have achieved sound financial results, while

completing a major acquisition." MURRAY STUART, CHAIRMAN

at the same time developing our existing business and successfully

**PROFIT BEFORE TAX** Up 3.9% to £128 million

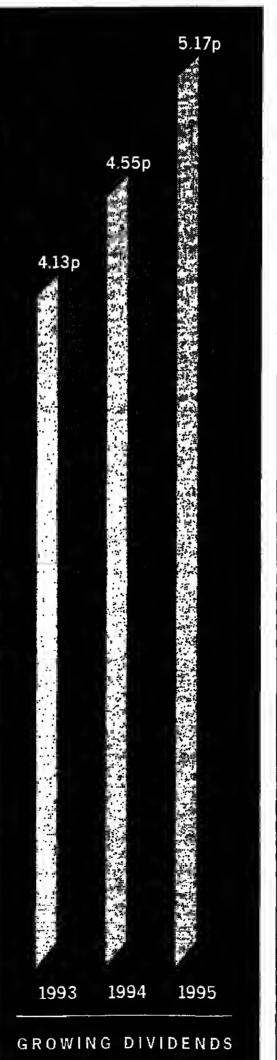
**EARNINGS PER SHARE** Up 3.8% to 11.4p per share

DIVIDEND Up 13.6% to 5.17p per share

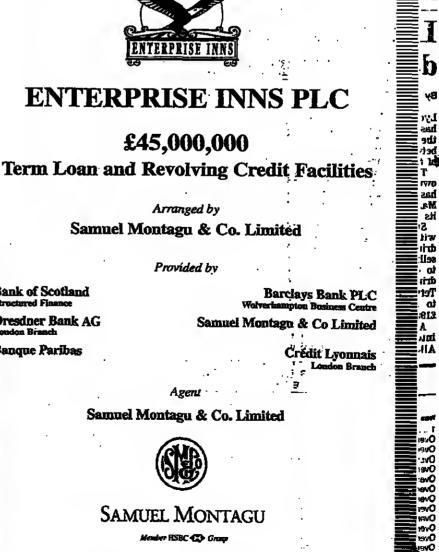


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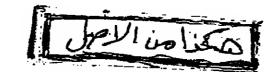


### the contracts' issue does pnt growth," said Mr Paul Spedding at Kleinwort Benson. "A 9 per cent yield says the British Gas's survival in jeopardy, "it will have a lingering £45,000,000 Arranged by Samuel Montagu & Co. Limited Provided by Bank of Scotland Structured Finance Dresdner Bank AG Banque Paribas



encore settles her chief exect

ms Irish advance pite tough mark



#### **COMPANY NEWS:** UK AND IRELAND

### Scottish tots up nearly £60m in bid costs

By David Wighton

Settish Power's hostile £1.1bn bill for Cheshire-based Manweb cost the two electricity companies nearly £60m, although Scottish said yesterday it had nct been able to work out the final defence bill.

Scottoish took control three weeks ago and Mr Ian Robinsch. Scottish Power's chief executive, said the company had been surprised at the state of Manwah's accounts. However he stressed that there had been no other "unpleasant surprises or black holes. We are confident we will deliver tha asticipated benefits for our

Scottish Power's bid espenses amounted to £38.5m, he said, and the defence costs would be less than £20m.

The Glasgow-based group also revealed Manweb had shed 1,000 jobs, a quarter of its workforce, during the hid. On one Friday, almost 500 staff left. "That demonstrates that it was not an efficient organisation," said Mr Robinson.

integration costs and potential cost savings were yet to be assesed. The group would give a further npdate in January.

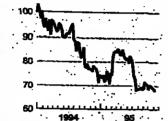
Concern

tish Gas

Scottish Power's comments on the aftermath of the bid accompanied its announcement of a 4 per cent rise in pre-tax profit to £128m in the six months to September 30. Earnings per share also rose 4 per cent to 11.4p and, as the company promised during the bid, the interim dividend rises 14-per cent to 5.17p. The final dividend will rise by the same amount, for a total of 15.5p and the aim will be to sustain real dividend growth of 5 to 6 per

Operating profits rose 6 per cent to £133m, on turnover 6 per cent higher at £776.9m. Profits from generation and first and second tier electricity sales rose by £4m, but the sea-

Share price relative to the FT-SE-A Electricity Index



sonal loss from wholesala trad-ing in England and Wales was 22m higher. Retail profits rose to £3.7m (£1.8m) on sales of £109.1m (£36.6m) after the earlier purchase of Manweh stores. There was a strong cash inflow before taking the pur-chase of £183m of Manweb shares into account. Gearing is forecast to be not more than 75 per cent on March 31.

COMMENT

As the take-ont price of regional electricity companies continues to mount, the terms of Scottish Power's acquisition

of Manweb look still more of a bargain. The deal will enhance earnings next year, belping to keep up the momentum ahead of the npgrade of the transmis-sion link with England and Wales in late 1997. This will significantly increase the available market for Scottish Power's relatively cheap and under-utilised power stations. However, Manweb increases the proportion of profits coming from distribution and raises the regulatory risks. In addition, Scottish Power's low earnings cover means its dividend growth is currently slower than, say, National Power, justifying the higher prospective yield of 5.4 per

### Greencore settles with former chief executive

legal battle with Mr Chris Momerford, its former chief

executive. The company is to write back If1.1m of a If4m (f4.09m)

provision made in 1991 against the cost of the legal action. The shares gained 10p to 513p following the settlement, reached early yesterday prior

to a full hearing of the dispute in the Irish High Court. There had been concern that information damaging to the company would have emerged during a protracted court case. Greencore is being investi-

gated by the European Com-mission over allegations of price-fixing in the European sugar industry in the 1980s. Mr Comerford resigned from Greencore in September 1991 after it was revealed that he had claimed an interest in a company that had benefited

from dealings with Irish Sugar,

Greencore, the Irish food as Greeencore was then executive. Mr Comerford claimed he

was entitled to I£2.1m of the 158.8m paid by Irish Sugar in 1990 when it bought out minority shareholders in a sugar distributor and wholesaler. His claim was contested and

he was forced to resign from Greencore, but not before he bad agreed a compensation package estimated at E1.5m. This was subsequently frozen, along with the IF2.1m pay-

ment in the form of a loan Under yesterday's agreement, the I£2.1m loan note has been cancelled and Mr Comer-

ford has received a contribution towards his legal costs, reported to be half of the Ifim

In addition ha will receive his pension entitlements, based on his departing salary of I£135.000 per year.

### Lyons Irish advances despite tough market

Lyons Irish Holdings, which has more than 60 per cent of the Irish tea market, reported petter profits and sales in spite of tough market conditions.

The group is 75 per cent owned by Allied Domecq and has changed its year end from March to August in line with

Since merging in March 1994 with Domecq, the Spanish drinks group, Allied has been selling off its food businesses to focus on spirits and other drinks. In summer it sold its Tetley tea and coffee business to a management hny in for

Among buyers thought to be interested in Lyons Irisb is Allegro, a private Dublinbased food distribution group with several institutional shareholders. It is understood to be interested in a stock

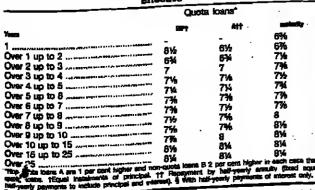
market listing.

Lyons Irish announced pro forma pre-tax profits for the 24 weeks to August 19 of I£4.14m (£4.22m), against I£3.8m last tima. Sales from continuing operations were I£12m

(T£11.8m). Profits for the 76 weeks to August 19 were I£12.8m on sales of 1£37.9m. In the previons 52 weeks profits were If8.85m on sales of If25.9m. The group, which has about I£23m cash, received £4.23m of interest in the 76-week period.

The board is proposing a final dividend of 5p, taking the total for the 76 weeks to 16p

PUBLIC WORKS LOAN BOARD RATES



### Finn's tune takes time to strike the right chord

fter an eight-month global odyssey to deter-mine a strategy for United Distillers, Guinness's main business and the world's most profitable spirits producer, Mr Finn Johnsson delivered his vision in London on Monday to more than 100 investors and analysts.

The market's verdict on the new managing director's plans was swift: Guinness's shares dropped 5 per cent in two days. "He was playing all the right tunes," one analyst said, "but it will take time to turn them into profits."

After five years' flat profits rom Guinness and its international competitors such as Grand Metropolitan, Allied Domeco and Seagram, the market was preoccupied with the outlook for prices. Mr Johnsson said prices

should show steady improve-ment and Guinness, often seen as the industry's price leader, would take every opportunity to push them higher. But many listeners took that to mean prices were unlikely to keep pace with inflation. The most optimistic ana-

lysts, who thought a stronger their profit forecasts. Allied Domecq suffered the same fate yesterday after its year-end esults presentation. "I think we gave a very honest assessment of our strong points and weak points," Mr Johnsson said. "We didn't

managing director of Guinness's plans for United Distillers promise a quick return." The day-long review of UD by Mr Johnsson and a team of

Roderick Oram looks at the new

colleagues from around the world was keenly awaited. Although UD earns some 70 per cent of Guinness's profits, it is a 1980s agglomeration of acquired companies. It still needs a lot of work to turn it into an efficient, tightly managed global company. Moreover, drinks producers

who had enjoyed spectacular profits growth in the late 1980s need to find new ways to encourage the more conserva-tive consumers of the 1990s to turn to spirits or trade up to more expensive brands.

Mr Johnsson, a Swede fresh
to the drinks industry, came in

February to a post left vacant for 16 months. He hegan a crash course in the drinks industry and the intricacies of UD. His long travels culminated in a two-week world tour to meet UD's top 300 execu-A man who likes to enumer-

ate his bullet points, Mr Johnsson told the internal and external audiences that UD had "four strategic imperatives" "three principal processes" and Strategically, UD intends to

increase its share of existing drinkers, capture a large share of the young adults whom the industry hopes to encourage to switch to spirits from other alcoholic drinks, be the dominant supplier in emerging markets and build a "world class

sales capability". The processes focus externally on brand management customer support and product supply and internally on finance, personnel and busi-ness development. A recurring theme is that profits will be revived by new products, more effective marketing, and more efficient sales and distribution. New products tasted on Mon-day included what UD claimed were the first black and blond Scotch whiskies, Loch Dhu and Jackson's Row, a bourhon liqueur, ready mixed drinks such as Bell's Scotch and cola or Dark and Stormy (Austra-lian rum and cola) and Ginzing (gin flavoured with ginseng).

"Wa have about 40 products in testing," Mr Johnsson said. The consumer response to some is very good and we will commercialise them over the next year. Ready-to-drink in particular is a very fast growing segment in the UK and Australia."



More and better advertising and marketing is critical to stimulate trade in mature markets such as the UK and US and restore the value of pre-mium brands. Own label and tertiary brands have been mak-

ing inroads.
"We have to reinforce the message that we have value in

our products even at a higher price." New whiskies such as a line of rare malts will be another way to differentiate

premium brands. In emerging markets, "we always win when we invest early and strongly in the ontrade" to build the image of brands. Mr Johnsson admits.

play catch-up with some of its competitors in eastern Europe Mr Johnsson believes UD's advertising spend needs to rise strongly to get brand messages through to consumers swamped by an ever-rising tide of marketing. The cost implica-tions of that worried analysts a

To improve distribution, UD took a £20m charge last year to rationalise operations. Europe, for example, was served by 14 wholly owned subsidiaries and seven joint ventures, each with its own warehousing, distribution, financial systems and terms of trade. Typical of the changes is that back office and distribution for the Portuguese market are now done out of

It is hard to compare UD's operations with its competitors but analysts' broad verdict is that GrandMet started a little earlier and Allied Domecq a lit-tle later on similar streamlining. The verdict on Seagram is more mixed. It gets high ratings in some countries but is dogged by a reputation for

All four also preach the same gospel on products, brands, marketing and distribution. The one thing in UD's favour. however, appears to be Mr Johnsson himself. "UD has always known what it wanted to do," one analyst said "but now they've got a man who will make sure they do it.'

# BAT INDUSTRIES

### Record pre-tax profit

Nine months unaudited results to 30 September 1995

PRE-TAX PROFIT

£1,813m

+22%

**EARNINGS PER SHARE** 

35.6p

+16%

- Record pre-tax profit of £1,813 million for the nine months, based on a good performance from financial services and an exceptional one from tobacco.
- Total financial services trading profit rose by 19 per cent to £789 million. Profit from the general business increased by 30 per cent to £493 million, while the life and investment business was up 4 per cent to £296 million, despite difficult conditions for UK life companies
- The excellent performance from tobacco continued and profit increased by 34 per cent to £1,207 million. Group cigarette volumes were 20 per cent higher with gains from our domestic and export operations, as well as from the newly acquired businesses.
- The Group as a whole has continued to make impressive progress and, while the first nine months may have shown exceptional growth, we remain on track for a substantial increase on last year's pre-tax profit."

#### COMPANY NEWS: UK

Move follows clearance for North West Water to take over Norweb

### Welsh Water considers Swalec bid

#### By Peggy Hollinger

Welsh Water yesterday said it was considering a bid for South Wales Electricity, the regional electricity company which rejected its advances

five years ago. The move follows the recent approval from the government for a takeover by North West Water for Norweb, another

regional electricity company. If the bid goes ahead, Swalec would be the eighth of the UK's 12 recs to face a takeover in recent months. Shares in the other four power companies rose strongly yesterday, with Yorkshire, for example, adding 30p to £9.52,

make the announcement following a sharp rise in Swalec's shares, fuelled by speculation of a possible bid for the smallest of the recs.

Swalec shares closed yesterday 70p higher at £10.58. Welsh Water ahed 30p to finish at

724p. Welsh said it had not reached a decision on whether it would bid. However, if a bid were to be launched, the price would be pitched at about

Mr Graham Hawker, chief executive, said Welsh was keen to discuss a possible tie-up with Swalec. He refused to rule out the possibility of a hostile

Welsh Water was forced to bid. "We will be talking to merger. Mr Hawker said the them further and evaluating our position," he said. Mr Hawker said any offer

would be likely to include a mixture of debt and equity. This prompted speculation in the market that Welsh would have to launch a substantial rights issue to back an offer.

Swalec refused to comment. Welsh Water first swooped on Swalec in 1990, huying 10 per cent of its shares without informing the board of its intantions. It later lifted the stake to 14.9 per cent before selling its holding in 1983. Welsh argued in 1990 that there were considerable cost

savings to be made from a

logic had not changed. "We have consistently said that the industrial logic is sound, that if it could be done it should be Our main objective would be to get savings out of the two utili-

Analysts estimated the savings from merging head office and aharing services auch as billing and mainte-nance could he £30m-£35m. Swalec is thought not to have changed its original view that the savings are not enough to justify a total merger.

Analysts said Welsh's £10.20 should be regarded as an open-ing gambit and some believe an offer of up to £12 could be

earnings enhancing. "Swalec should not have too much trouhle making a defence north of £11," said one. Some shareholders were yes-

terday angry at Weish's decision to return to Swalec, given that it had sold its stake two years ago for 460p a share. The company may find it difficult to convince shareholders of the wisdom of a bid because it is regarded as having a poor record on diversification.

However, most analysts were convinced that Welsh would eventually bid. "It would lose credibility if it walked away, and that is probably more damaging than making a hostile bid," one said.

### City still waits for the luck to change

resigned earlier this week as chief executive of Hickson International, optimistically said: "All the hed news we know of is over He may wish he hadn't spo-

The group has failed to put its woes behind it. While analysts were looking for recovery this year, Hickson has just warned that it would be forced into the red after a £13m restructuring charge and disposal write-offs. Some forecasts are for losses as deep as £30m.

The group's inability to halt the deterioration in its profits has led the City to wonder if the problems are more fundamental. "The trading performance seems so markedly worse than anything we anticipated that you begin to wonder whether there is something more seriously wrong with the company that we don't know about," said one analyst.

Most analysts recognise that fortune has not smiled on Hickson - which was a City darling in the late 1980s - in recent years. Mr Kerrison took over as chief executive in 1992 after more than two years of boardroom and financial upbeaval, during which a chairman, finance director and chief executive had resigned

unexpectedly. Under Mr Ken Schofield, who stepped down after only 18 months as chief executive, the company had launched a £70m rescue rights issue after gear-ing exceeded 134 per cent. He also initiated a disposal programme following a string of 19 purchases between 1985 and 1989. However, some underper-forming subsidiaries were kept Motoko Rich asks what is wrong at Hickson as recovery fails to materialise at the chemicals group



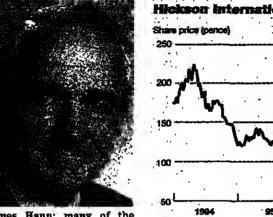
James Hann; many of the

on, until the group finally provided for further disposals this

Mr Kerrison reigned under a cloud from the start, Just one month after he was appointed, an explosion at the group's main chemicals plant at Castleford in West Yorkshire took five lives. A year later, another explosion hit the group's fine chemicals factory in the Irish Republic.

Last year, the soap wars between Unilever, the Anglo-Dutch group, and Procter & Gamble, the US consumer goods company, resulted in the cancellation of a lucrative con-tract at its PharmaChem plant in Ireland. Hickson exclusively manufactured the manganese catalyst used in Unilever's ill-fated Persil and Omo Power.

Hickson International



add £8m to annual profits and it is understood that Unilever's settlement did not fully compensate Hickson for the lost profit stream. The company has not yet filled the dormant

capacity, although it has said

it intends to manufacture pharmaceutical intermediates. The City has acknowledged the role of bad luck, "Obviously the combination of the industrial accidents and the woes with the Unilever contract have been beyond Mr Kerrison'a control," said one analyst. "But he has never been able to get his arms around the business.

The shares, which tumbled from 223p in April 1994 to a low of 87p yesterday, have underperformed the chemicals sector by 53 per cent over the past two years. Between 1992 and The catalyst was expected to 1994, profits declined from Pre-tax profits (2m)

93 94 95

£24.3m to £19.2m At the end of 1994 - often escribed as Hickson's armus harribilis - the group promised to increase capacity, cut costs and move away from low margin activities. Analysts were

waiting for a consequent

improvement in results. "I was supportive of Mr Kerrison until recently because ! thought he needed more time," said one analyst. "I expected the fruits of what he had been doing to ahow through this year." But before exceptionals this year, analysts are forecasting pre-tax profits of only

Mr James Hann, chairman, said many of the group's problems were cumulative. At the Castleford plant, for example, environmental difficulties, maintenance troubles and plant unreliability had "all

ise the plant is only running at about 60 per cent".

The group has hired Mr John Markham, who recently esigned as general manager of the surfactants business at Albright & Wilson, the chemicals group, to run the Castle-

ford operation. The group has sold Kerley. an underperforming US subsidiary, However, City reaction was mixed, with analysts saying it was long overdue and that the \$33.5m (£21m) selling price was low compared with sales of about £50m.

Hickson is also withdrawing from performance speciality chemicals with two other disposals in South Africa and the

That leaves performance chemicals for the pharmaceuticals, agrochemicals and deter-gents markets, fine chemicals for pigments and dyestuffs, and protection and coatings for the construction industry.

Since the loss of the Unilever contract the company has been rumoured as a bid target though no names have been seriously attached to it. "The reason nobody in the industry has tried to buy Hickson could be that they know something we do not," said one analyst. But others said potential

buyers might be waiting for the company to achieve a more stable footing. If that is the case, they may have to wait some time. Analysts said it was unlikely that Hickson would exceed £20m in pre-tax profits until after 1997. "It is tempting to say that this is the turning point," said one analyst. "We have to see who they appoint as chief exec-

Michael Gifford. It said yesterday the joh would go to Mr Andrew Teare,

**ECC** 

chief to

take over

By Scheherazade Daneshkhu

Rank Organisation, the diver-

sified leisure company, has

ended a year-long search for a

chief executive to replace Mr

at Rank

Leisure Industries

chief executive of English China Clays, the minerals and chemicals group. Mr Teare, who will join Rank as a non-executive director on January 1, said the company had established strong husinesses in leisure and

continue to develop.

He is expected to take over from Mr Gifford soon after Rank's annual meeting on

entertainment which he would

April 9. Mr Teare, 53, joined English China Clays as chief executive in July 1990. He was headhunted from Rugby Group, the UK cement group, where he was managing director. He is widely regarded as a good strategic thinker and a good

communicator. He was credited with transforming Rugby into a successful diversified building materials husiness hat his record at English China Clays, which bas underperformed the FT-SR-A All-Share index by almost 30 per cent since be took over, has been

mixed. Some analysts are sceptical about gains from the acquisi-tion of Calgon and EZE Prodncts, US speciality chemicals husiness, in the last two

Mr Bruce Jones, leisure ana lyst at Smith New Court said Rank would benefit from the appointment of an outsider to take a fresh look at its businesses, which include Hard Bock cafes, bingo, Odeon cine-mas and Buttins holidays as well as video duplication and high-technology precision industries.

Critics believe it has been slow to react to new developments such as the growth of

Mr Mark Finnie, leisure analyst at NatWest Securities said: "Rank has a number of supertankers in its UK leisure businesses and it will be very difficult to turn them

RCC shed 16p to close at 334p, while Rank gained 7p to close at 4270.

### LEX COMMENT Welsh Water

Welsh Water's announcement that it is thinking of bidding UK utilities for South Wales Electricity is a share prices relative to the nasty surprise for its share FT-SE-A All-Shere Index bolders. The company has a 140 dire diversification record; shareholders would prefer cash handed hack to them, not an ambitious acquisition. It is no surprise that the news knocked 4 per cent off Welsh'a share price yesterday. If Swalec could be secured at the price mooted by Welsh yesterday -

£10.20 a share - investors might not have too much to complain about At that price, the deal could conceivably do Source: FT Bank

more for earnings than gearing up and handing cash back. But Welsh stands hardly any chance of winning Swalec at this price. The shares have already risen to £10.58, and Swalec is probably worth more already risen to £10.55, and Swater is protectly with than that. A Northern Electric-style "scorched earth" defence could yield value of over £11 - £4 paid to shareholders plus the share in the National Grid, leaving a rump with a healthy interest cover of 31/2 times. A white knight might pay more valuing Swalec on the same basis as this week's Seeboard hid could generate nearly £12. At these prices, Welsh shareholders would do better if the deal were dropped and the company geared itself up instead.

Swaler should not, however, let past differences get in the way of cost savings from joint working between the two companies. Its previous position - that no savings at all are possible - is not credible. Whatever happens, Swalec owes it to its shareholders to talk to Welsh about working together.

### Henderson hit by loss of UK pension funds

Henderson Administration, the independent fund management group, has continued to lose the custom of UK pension funds because of below average performance of investments made on their behalf.

Henderson's results showed an outflow of £1.1bn in the six months to September 30. It also said it was on notice from seven UK clients, with a further £300m in funds under management at Henderson, that they planned to change. Pension fund assets with Henderson have fallen from

25.25bn in March 1994 to 22.9bn in September 1995. Mr Dugald Eadie, managing director, said they could fall to £1.5bn before bottoming out. Revenues were

lepressed by the sluggish activity of retail investors. Profits before tax and a £1m exceptional gain on selling a

venture capital business fell 21 per cent to £8.8m. Mr Eadie said he had termi-

nsted discussions with German banks about distribution of its funds and said the management was not considering disposing of the group.

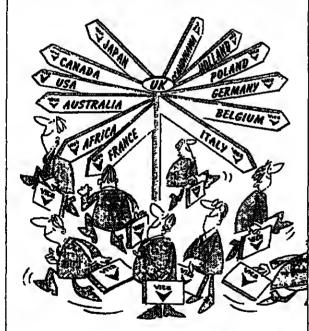
Nevertheless, the ahrinking contribution of the UK institutional business, which pro-

duced management fees of £4.1m out of a total of £27m, limited the potential for fur-ther decline in profitability. Although the retail business was held back by UK private investors' lack of confidence, it

produced relatively strong ement fees of £18.4m oc funds of £6.6bn. Henderson

strongly in the international markets upon which UK fund managers have placed their hopes for growth. Funds under management by Seligman Hen-derson, the US joint venture, doubled to £1.3bn.

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■ MARKET NEWS & UPDATES 24 HRS A DAY

GT BIOTECHNOLOGY & HEALTH FUND société anonyme d'investissement à capital fixe Registered office: 2, Boulevard Royal, Luxembourg

R.C. Luxembourg B 24 840 Notice of Extraordinary General Meeting

The shareholders of GT alOTECHNOLOGY & HEALTH FUND (the "Pund") are hereby convened to an Extraordinary General Meeting to be held at 69 route d'Esch. Luxembourg on 27 November, 1995 at 11.00 am with

1. To resolve on the liquidation of GT Biotechnology & Health Fund; 2. To appoint a liquidator:

To fix the date of the second shareholders meeting to hour the report of the liquidator and to appoint an auditor; To fix the date of the third meeting of shareholders to hear the report of the auditor and to decide the close of the liquidation of the Fund.

Resolution under item 1 on the agenda of the Extraordinary General Meeting will require a quorum of at least 50% of the outstanding shares and will be adopted if voted by 2/3 of the shares voting. If on the date on which the meeting is held, the net assets of the Fund have decreased below two thirds of the equivalent of 50.000.000 Lexembourg francs, no quorum is required for the meeting and the resolution under item 1 will be passed with the consent of a simple majority of the shares

If on the date on which the meeting is held, the not assets of the Fund have decreased below one fourth of the equivalent of \$0.000.000 Luxembourg frames no quorum is required for the meeting and the resolution under item 1 will be passed with the consent of shareholders holding one fourth of the

If the quorum is not reached, a second meeting will be held on 5 January, 1996 at the same place at 11.00 am to resolve on the same egenda. At such ed meeting there shall be no quorum requ

Proxy cards are available at the registered office of the Fund. Proxy cards valid for the meeting held on 27 November, 1995 will also be valid for the meeting to be held on 5 January, 1996. Bearer shares are requested to deposit their shares at Banque Inte. Luxembourg at least 3 clear days prior to the date of the meeting.

Luxembourg, 9 November, 1995 GT BIOTECHNOLOGY & HEALTH FUND

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### Hambro Insurance dips but loss adjusting improves

Insurance Correspondent

Shares in Hambro Insurance Services slipped 4 per cent yes-terday to 81p after the insurance and related services group announced a small dip in first half pre-tax profits to £8.03m (\$4.78m) compared with

However, the group said an expected increase in UK claims volumes - due partly to a ris-ing incidence of subsidence after a hot summer – and hur-ricane losses in the Caribbean would have a beneficial effect on its loss adjusting busi-

Loss adjusting activities reported a reduced deficit of £261,000 (£432,000) in the six months to September 30.

Those activities would have been profitable, the company

said, without more than

£600,000 costs associated with expense reductions and developing computerised operations The improvement came from its European and international operations. Hambro said profits in other sectors had been hit by

increased competition in core markets for legal expenses insurance plus the costs associated with developing claims handling serv-Overall, profits were below

analysts' expectations and yesterday's closing share price was 41 per cent lower than the placing price of 1380 at flota-tion in March 1983. Turnover fell from £43.4m to

Earnings per share worked through at 2.75p compared with 294p.
The interim dividend is

maintained at 1.85p.

Sir Colin Marshall, chairman of British Airweys, and Mr Bohert Ayling, managing director, have made profits totalling more than £2m from the sale of BA shares.

tive chairman in January, exercised options on 601,328 shares on Monday, the day BA reported interim profits up 23 per cent to £430m. He sold all but 10.000 of the shares, yielding a cash profit of nearly £15m.

exercised options on 247,569 BA ahares, aelling all hut 30,000. The sale generated a cash profit of more than 2500,000.

### **British Airways** chiefs net £2m from share options

By Michael Skapinker, Aerospace Correspondent

Sir Colin holds 48,040 shares The group said that Sir Colin, who becomes non-execuin BA. Mr Ayling holds 36,503

Mr Ayling, who becomes chief executive in January,

sold their shares on Monday, when BA's share price fell 8p

Both Sir Colin and Mr Ayling transferred the shares to their wives hefore selling them, for tax reasons. Following the share sales.

BA shares. Yesterday the chares closed up 3p at 479p.

• Mr Robert Crandall, chairman of American Airlines, said he could work with BA as

a code-sharing partner. He

said American waa also talking to other airlines.

Both American and United Airlines are in talks with USAir, in which BA holds a 24.6 per cent stake. Observers believe that if BA sells its USAir stake, it might

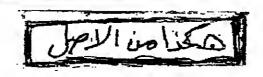
form an alliance with Ameri-



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### FINANCIAL TIMES SURVEY

### **BUSINESS IN TURKEY**

### A tale of two cities

Many in business fear that economic instability and government incompetence will lead to a backlash against traditional politicians.

says John Barham Business leaders in Istan-hal, Turkey's financial capital, say they have declared independence from

Ankara, the political capital. These sober conservative men are no anarchist revolutionaries. They have grown frus-trated by the lack of leadership of e government which they believe has lost touch with their needs and the needs of the country at large. Mr Isak Alaton, chairman of

the Alarko engineering and construction group, says Tur-key has "developed e system where the government does not govern. We have become independent from the incapacity of government. The bickering in Ankara does not matter much to the business comminity. We have adapted ourselves to this situation where the government is no longer

A more discreet Istanbul banker says: "We have discovered that you don't need a couple of bureaucrats to export, import and invest any more. You just get on and do it." Like Mr Alaton, he is scornful of the politicians. But he adds that economic liberalisation is progressing, albeit at e glacial pace, freeing companies from political interference.

It is easy to understand their frustration. Decades of government economic mismanage ment heve left Turkey with heavy debts, high inflation and a crimbling infrastructure. For business this means large and .

unpredictable shifts in demand, high financial costs and severe short termism.

Still, businessmen can afford to sound confident. They have just survived, largely unscathed, one of Turkey's worst economic crises. The economy shrank by 6 per cent last year, following a balance of payments crisis and heavy devaluation. Companies responded quickly and deci-sively, justifying their reputation for hair-trigger reactions. Now profits are reviving strongly on the back of a faster-than-expected economic recovery. Exports are growing. investment is up.

Although Mrs Tansu Ciller, the prime minister, has promised structural reforms, she has achieved little since taking office in Jone 1993. Mr Sedat Aloğlu, president of the Economic Development Foundation (IKV) business associa-tion, says: "Short term [political] benefits exceed the long-term economic benefits of the country."

Politics are very much in the air because general elections are scheduled to be held on





December 24. The outcome is impossible to judge.

Business has begun speaking with a louder political voice. Last year, eenior bosses bluntly told Mrs Ciller that they would refuse to pay any "one-off" emergency taxes. This year they have urged the government to pur-sue political liberalisation - so far with scant success - to meet European Union conditions for a customs union in

Some, such as Mr Alaton or Mr Sakip Sahanci, head of the eponymons conglomerate, have gone so far as to call for a political settlement to end the 11-year Kurdish insurgency in south-east Turkey. This led state prosecutors to accuse Mr Sabanci of infringing Article 8 of Turkey's notorious Anti-Terrorism Law - which the EU is demanding be substantially altered and which forbids any statement threatening "the indivisible unity of the state of the Republic of Turkey." Fortunately, the prosecutors saw reason and dropped charges.
Business reserves its loudest

broadsides for government economic 'mismanagement. "Everyone knows what the problems and solutions are. but there is no one who can take decisions. If there were, the country could make a giant leap into the future," says one

Mr Halis Komili, head of Tusiad, the main employers' association, says: "Wa have e very, very dynamic private sector but it is doing much less than it could. Reform will allow the privete sector to grow faster. But to do all this [we] will need an effective gov-

The husiness community has had little success in influencing policy. Although Mrs Ciller's True Path party is nominally conservative and pro-husiness, it has adopted a stridently populist tone. It has shelved politically unpopular reform to retain its hold on

The Motherland party, which launched economic reform in the 1980s under former Prime Minister Turgut Ozel, has lost momentum due to lacklustre leadership. The liberal, free market New Democracy Move-ment party (YDH) headed by Mr Cem Boyner, a textile magnate, has attracted little popular support. For their part, Mrs Ciller's

aides are scathing about the Istanbul millionaires' complaints. They point out that it is hig business that is making fortune by speculating in government bonds. They add that husinessmen have only hecome more eggressive because succulent government contracts have dried up. And their free market rhetoric does not prevent them from lohbying for government subsidies and incentives, tax breaks and protection for their companies.

The Istanbul hanker. more candid than most, agrees: "All hig businessmen are close to the politicians. To be in business you have to have good ties with Ankara and not just the government, but the parties, the bureaucracy, the journalists."

ironically, the reforms husiness advocates would, at least temporarily, damage their interests. For example, economic reform would cut the big profits to be made on the financial markets, where the . government must pay dearly to

place its bonds. Closer ties with Europe will heve a far-reaching impact on business. Although customs union may be delayed for political reasons, it is already beginning to alter Turkey's business culture as EU law on state aid, subsidies, competition, intellectual property and consumer protection is being edopted in national law. One senior European diplomat commented that "the first conviction of a Turkish [trade mark] pirate by a local court for infringing an

This accounts for some discreet behind-the-scenes lobbying by business groups to delay or even prevent customs

EU patent will do e great, great

deal to modernise business

However, Turkish companies know they cannot afford to be complacent. Although Turkey has some excellent companies. the majority suffer from low investment, low productivity, poor standards of quality and weak management. They will struggle to resist the big guns of European industry.

The fear of competition from duty-free EU imports has

spurred rapid growth in investment, inward investment and acquisition of Turkish groups by EU companies is also growing. So is investment from non-EU countries: Japanese companies are now the largest foreign investors in Turkey, accounting for about one-lifth of inward investment. In spite of all its difficulties.

Turkey offers important husiness opportunities. Its populetion is growing rapidly. Half the population is aged under 30. Sectors ranging from supermarkets to cars are very far from maturity. However, as Mr Komili

noted, the government's dreadful economic management - inflation hit a record 126 per cent last year - is probably Turkey's greetest obstacle to growth. Public sector reform would cut government deficits and lower interest rates and inflation, allowing growth to accelerate at a steadier rate. A US banker says that Turkey could have doubled its 5 per cent everage annual growth rate between 1980-94 if it bad stabilised the economy.

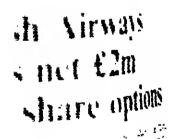
The great bope now is that the elections will return a

nt have left Turkey with heavy debts and high Ciller government with a clear mandate for reform. But many people in husiness fear that economic instability, government corruption and incompetence or EU rejection of customs union will lead to a backlash against traditional politicians in December's elections and catapult the Islamic fundamentalists of the Refah

party to power. Few bosses add that Refah is benefiting from voters' anger provoked by big husiness flourishing while their incomes dwindle - or that demands hy corporate Turkey for a "leaner and meaner" public sector is understood to mean hardship and unemployment for millions. Refah is hostile to business and to ties with the west. Although executives reassure visitors, with reason, that Turkey has no tradition of religious extremism and that its secular and pro-western values are deeply entrenched, the fear

worrying them more and more. It is ironic that while it is proclaiming its independence from Ankara, the business of the political world.

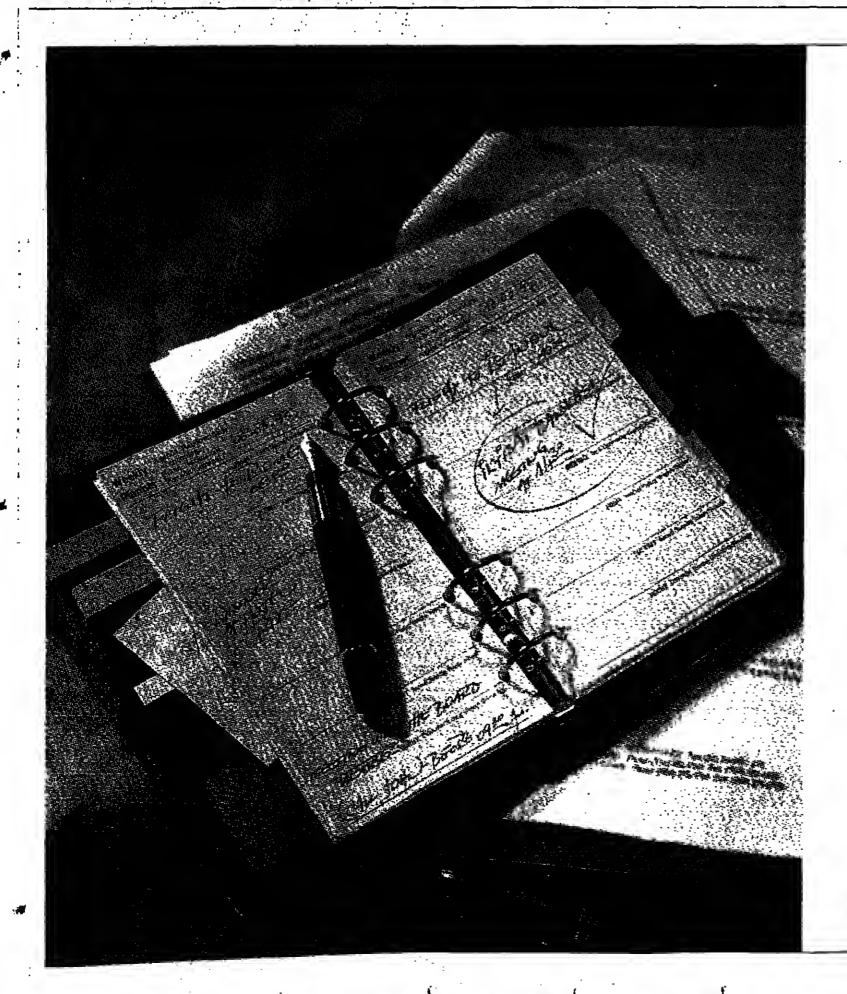
of a Refah election victory is



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### Picture of rude good health Problems remain

The government may have stabilised the economy, but it has done little to deal with the fundamental causes of economic instability

For a country that underwent a wrenching economic crisis a year ago, Turkey is in surprisingly good shape. Business is booming. Investments and exports are surging. Banks are lending more. Quarterly growth rates of 10 per cent reflect a poor 1994 figure but also indicate some firm expan-

Contrasting with this picture of rude good health is a moribund public sector burdened by chaotic banks, loss-making state enterprises, a bankrupt social security system and heavy debts.

Government officials openly accept that Turkey's economic problems are essentially caused by public sector disorganisation. But they claim credit for restoring a degree of stability by implementing a stringent International Monetary Fund programme last

They turned a current account deficit of \$6.4bn in 1993 into a \$2.6bn surplus last year, although a stronger-than-expected recovery is pushing Turkey back into the red with a forecast \$1.2bn-\$1.5bn deficit this year.

Central bank reserves are at a record \$16.5bn, due to high interest rates and renewed government borrowing overseas. Turkey was frozen out of world financial markete in

has curtalled spending, cutting public sector borrowing this year to a projected 5.6 per cent of gross national product (GNP) from 8.2 per cent last

Inflation bas fallen, but remains stubbornly high at 91 per cent between January and September, against 111 per cent in the same period last

Exports in the first seven months of the year climbed 27 per cent to \$11.75bn, even though the Turkish currency depreciated more slowly than inflation, cutting exports' international competitiveness. However, imports - mainly

of capital goods and raw materials - rose by nearly half, leading to an \$18.35bn deficit. The government may have sed the economy, but it has done little to deal with the

nomic instability: Privatisation is stalled. Revenues of about \$500m so far this year are only one-tenth of

the target the government set

tion is poor and management

· Fighting continues in the

south-east. The 11-year Kurd-

ish guerrilla insurgency could

be costing the government as

much as \$7bn a year although

precise figures are not avail-

A budget in which wages

account for nearly two-thirds

of spending. Most of the reduc-

on state employees' wages. Not surprisingly, govern-

ment debt has grown faster

single year since 1990, bringing

with it ever-higher interest rates. IBCA, the London-based

rating agency, says in a recent

report "As a result of this fis-

cal ineptitude the economy has

slipped into a damaging boom-

This is where the public sec-

tor'a problems interfere with

the private sector. Inflation

leads to high interest rates and

short-term horizons, discourag-

ing investment. Executives

complain that high financial

costs are one of their beaviest

Although Turkey has been

the OECD's fastest-growing

economy over the past 15

years, averaging 5 per cent

which damages expectations

probably worsen in coming

months as Turkey prepares for

lections, Governments tradi-

tionally allow spending to rip

in the months preceding elec-

Ominously, the IMF's

standby programme ends in

Pebruary, and with it a heavy

constraint on irresponsible

policymaking. The government

managed to meet its perfor-

mance criteria for the first

three quarters of this year.

Although slippage is increas-

ing now, the oversbooting is

not expected to be excessive.

Turkey will continue to

underperform economically

until its government grapples

with public sector reform. Tur-

key, once in the vanguard of economic (reform, has fallen

behind Latin America, eastern

Europe and Asia. Turkey could

become a European tiger econ-

omy, possibly posting

double-digit growth rates, if only it could rediscover an

appetite for reform.

Economic turbulence will

burdens in export markets.

high inflation."

itself in January. Tax evasion is rife. The government says one-quarter of taxes go uncollected, but this is probably a gross underesti-

Tax revenues are nearly half the Organisation for Economic Co-operation and Development average. Some economists say the

unrecorded economy is as large as the official economy. The government forecasts Turkey's registered gross national product this year at \$149bn. Social security reform is halted. The system is bankrupt and needs constant injections from the treasury because



Business is booming: the Grand Bazzar in Istanbut

■ Banking: by John Barham

# despite easy year

Foreign observers are uneasy over the structure of the banking system

and debt service payments After the hammering they suffered in 1994, bankers are having it easy this year. Profits are almost being thrust at them from a debt-ridden government forced to pay higher and higher interest rates as it sinks tion in public sector borrowing has come from a clampdown deener into the red.

Garanti Bank, widely considered one of Turkey's best private commercial banks. reported first-half net earnings up by just over half in dollar terms to \$85.4m. At Akhank, another large private bank, management says earnings in the first nine months of the year rose by about 50 per cent in dollar terms, to about \$238m.

A heavy devaluation and soaring interest rates last year hit the financial industry hard and caused the failure of three small banks. Profits at Turkey's 10 biggest banks fell by half in dollar terms last year, although their assets shrank by only 17

Mr Hüsnü Akhan, executive vice-president at Garanti, says: "The balance sheet of the financial sector at end of June ishows that I most of banks had got rid of the negative effects of 1994 crisis."

Banks are behaving more conservatively and regulators are more vigilant. The gov-ernment has tightened its controls and imposed taxes and limits on overseas borrowing to cool speculation.

Yet, the bond market is where most profits are still made. One Istanbul banker said: "You have to buy bonds. It's profitable, risk-free and short term and that fills

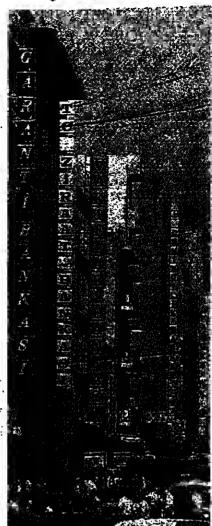
High interest rates are further racked up by a government decision to slow the Turkish currency's rate of devaluation, which increases profits in hard currency terms. Bankers say this policy has sucked about \$5bn-worth of sbort term "hot money" into Turkey, despite tighter regu-

Banks are also starting to lend more to companies. Mr Akhan reports that "starting from April, we have seen strong local currency and foreign exchange credit demand from large, medium and small companies, especially in the textiles and food industries. They are investing heavily in machinery and technology."

Long-term loans are only available in dollars or D-Marks, Expensive Turkish currency loans are strictly for very short

For all the relief at recovery, the financial industry remains saddled with many of the same problems that afflicted it before last year's crisis. ...

To begin with, profits are still heavily dependent on high-yielding government bonds. This is not an immediate source of concern. Perversely, the banks' easy profits would suffer heavily if economic reform ever takes place - a move which bankers frequently demand - as inflation holdings do not normally generate ade-



With 62 banks, Turkey is overbank ation must come sponer or later

and government borrowing dropped. A future government might even reschedule its local currency debt.

The markets are often swept by rumours that Ankara will unilaterally consolidate its domestic debt as part of a wider economic reform strategy, imposing unfavomable terms on bond holders.

Foreign observers are uneasy over the structure of the banking system, in which many of the big private banks are part of larger industrial groups. Although the big private Turkish banks are generally considered to be well-managed, there is an inherent conflict of interest at the heart of their-ownership.

Turkey's three largest private banks - Akbank, Garanti and Yapi Kredi - are all controlled by family-owned conglomerates. The banks usually hold shares in these groups' industrial holdings. The

quate dividends, to the detriment of of-side shareholders - although the bank say the capital value of their industri. stakes is reflected in their share price. Bankers say they rarely lend to grou

companies, but some analysts take thes denials with a pinch of salt. Their fear i that trouble elsewhere in the group could drag down an otherwise healthy bank. The regulators are encouraging the

Çukorova industrial group - which owns three banks - to merge them into a single unit. The central bank says that these banks are too weak to operate individually, Cukorova owns Yapi Kredi, Pamuk Bank and Interbank. Analysts worry that it has pursued an excessively ambitious expansion strategy.

Turkey is overbanked. It has 62 banks, of which only the large private banks and their small foreign competitors are considered fundamentally sound. However, inflation often hides their difficulties. Small private banks tend to be undercapitalised and some of them may even be technically bankrupt. Consolidation must come sooner or later.

Lifting the government's unlimited deposit guarantee scheme, introduced at the height of last year's banking crisis, would accelerate reorganisation. The large banks are pressing the government to abolish the guarantee scheme, arguing that it allows small banks to take excessive risks. However, depositors do exact an interest rate premium, realising that if a bank failed, recovering their deposits from Ankara's slow-moving bureaucracy would be time-consuming and vulnerable to

heavy inflation. Although management at most of the state banks has improved, they still continue to distort the banking market badly. The state banks control about two-thirds of the sector's assets. They have privileged access to deposits and borrowers since most public sector bodies must operate through state banks and because the énjoy an implicit government guarantee inst failure.

However, state banks are subject to political interference. Ziraat Bankasi, Turkey's biggest bank, is generally considered to be the worst affected.

Privatisation of these banks is advancing very slowly. But two small banks - Sumer Bank and Eti Bank - have split their industrial activities from their financial activities, a basic requirement for future privatisation Foreign banks tend to be better man-

aged, more narrowly focused and more successful than their Turkish rivals, although they have the advantage of international connections and blue chip multi-national clients. The bead of one big New York bank's Istanbul office said: "Every year has been a roaring success. I cannot remember a year in which we did worse than the previous one."

There is little chance that a broader, more mature financial system will emerge in Turkey until the government brings economic stability by eliminating its defi-cits and inflation.

Making money in these conditions may be easy but it is risky.

It also means that development of standard insurance, mortgage, pension and consumer credit products will remain stunted and "long term" will continue to measured in months rather than years.

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■ Stock exchange: by Yekta Pinar

### Buzz returned at the end of September

Liquidity levels remain very much at the mercy of erratic overnight rates and yields on government paper

Given the attention to detail in the recently-opened high-tech building that houses the Istan-bul stock exchange, the failure to engrave a public health warning above the entrance to tha trading room is all the more conspicuous. The sign should read: "Sufferers of high

blood pressure, keep out."

Istanbul is the classic emerging market, highly volatile but hard earning when it decides to move. Typical was the week in the middle of October when, after a summer of drift and decline, the market put on 7 per cent, largely as the result of a single day's trading. This lifted the ISE-100 index by 33.6 per cent from January 1, in US dollar terms.

Still vivid in investor memories are the even more dra-matic swings in fortune - once at the outbreak of the Gulf war, and again in February 1994, when the previous year's gains of more than 200 per cent in dollar terms were erased by a devaluation crisis. Expectations turned bullish once more this spring. Frenetic rallies pushed the index over 55,000 and produced (on April 21) a record transaction volume of

Just as general parameters of the Turkish economy continue to be set by the government's own borrowing require-ment, liquidity levels in the ISE remain very much at the mercy of erratic overnight rates and yields on government paper.

It was political uncertainty as much as alternative forms of investment, however, which prevented another rally this summer. The market anticipated with some accuracy that a September party conference of the Republican People'a party, minority partners in the the life-span of the coalition.



The buzz returned at the end of September. International investors (normally 10 per cent of the float) came rushing back when the index fell below 42,000 and on news that stocks were historically underpriced. The point was driven home when some companies, riding the reflationary wave in the economy, began reporting strong third-quarter results.

After profit-taking at the end of October, the market is now finding support at 45,000. It is poised on two events - the out-come of Turkey's attempts to join a customs union with Europe and the result of December's general election. Industries which do well out of pre-election public spending may suffer in the period of austerity expected to follow.

Although in the first

instance customs union may actually work against Turkish industry - it involves tha mmediate removal of some £1bn worth of protection - companies with an ISE listing are fitter and are regarded as likely to be among the net beneficiaries.

The outcome of the elections is equally difficult to forecast. Most analysts cannot predict the fortunes of the pro-Islamic Refah party. Yet at least one or two London brokers are prepared to take a position now. Some calculate that a clean victory for parties of the centre would encourage the index to lean. That confidence is shared by the exchange anthorities themselves. Istanbul is making a name for itself despite conditions of economic and political

instability, according to Mr Ismail Kovaci, ISE spokesi To those who would argue that Istanbul is attractive precisely because of that instability, the reply is that the exchange is not so much the Wild West but more like a territory on the verge of statehood. Certainly an active capital market board has shown a willingness to challenge publicly the worst

Trading and settlement (two days after the transaction day), is at least efficient and reliable compared with other emerging markets. Custodial risk has been reduced with the transfor-mation of the ISE Settlement and Custody Company into a Clearing and Custody Bank. Shareholders can use a code on the phone line to check their

Mr Tuncay Artun, exchange chairman, has been the prime mover of a Federation of Euro-Asian Exchanges whose members range from Bucharest to Delhi. Istanbul is also trying to set up a dollar-denominated Euro-Asian exchange to allow an easily-accessible flutter on Uzbek or Iranian stocks.

Foreign traders will be able to operate within a free trade zone inside the exchange building itself.

Even normally listed shares are still not nominated in the bearer's name, and at present investors pay no tax on dividends or capital gains. There are also no restrictions on the repatriation of earnings, although in theory foreign investors are required to keep



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Business and dustry: by John Barham

### Ready for fresh challenges

Turkish; businss's reputation foresilience. flexibility and rapid reaction

has been vinicated The businese md in Istanbul this autumn 5 unmistrably smug. Turkey's bosses gel that ving weathered the country worst enomic downturn in decades with relate ease, they can with-stand almost any allenge.

Sales and proff slumped following a balanciof-payings crisis and devaluation. The Koc Gr.p. Turkey's bluest blue chip chipany, revited a 43 per cent drop in sale last year dollar terms to \$8.15bn and analying intre-tax profit to \$632m.
Thesame thin and worse, happened to

almo every buness in Turkey. Compaaid off thesands of employees and slased investient budgets. However, bank did not sport an increase in bad There wre few bankruptcies. On theontrary, the best-managed companies sauthe crisis oming and prepared for it by eeking exort markets or shedding

-2.19

Isak Alson, chairman of the large ko enginering group, says. "We saw crisis coning and we decided to ome liquid become totally debt-free, the cash we invested ion money mar-[s] sometimes at 1,000 per cent interest."
The worst if the crisis was over by the ring of this year. Turkish business's reption for resilience, flexibility and rapid actions was vindicated.

Profits across industry have climbed trongly in real terms in 1995, partly effecting last year's dire performance but ilso indicating a strong recovery. Although domestic demand has recovered, sales are muted. Instead, exprts are limbing steadily. By July, foregn sales had increased by just over 25 per cers to \$11.75bm

Bankers are also reporting a resumption in investment. Mr Kemal Köyrölü, senior vice-president at Istanbul's Interlank, says: "Investment is being inanced by people who doubled or tripled beir poney during the crisis. When interes rates fell, then a number of companies decided that the return on manufacturing pyetment was greater.

While business executives are uly enti-tled to feel proud to have surved 1994, few are under any illusion that the future will be much easier.

Next year, if all goes well, Tkey will form a customs union with the uropean Union. The Europeans who ong ago opened most of their markets tone Turks will only gain duty-free access b Turkey in 1996. One Turkish businespan said candidly: "We realised only in Jarch [following EU governments' approal, of customs union] that this was seens. This always happens, specially in medium com-panies. We always wait until the last moment. There is a tradition in Turkey that if you are not against the wall, your performance will be poor."

Even the most competitive sectors of Turkish business, such as textiles, realise that bigger, stronger and more sophisticated European players will hit them hard - fatally in some cases - in their still well-protected and often highly profitable domestic market. With the possibla exception of the top-ranking local companie Turkish business is much less productive than its European counterparts. The same goes for quality, innovation, and manage-

Although investment has picked up by about half in the first three quarters of this year, it is still 5 per cent lower than in the rapid growth year of 1993. Interest rates are still high enough to allow many companies to make most of their profits. from financial markets rather than from their business operations.

Investment by Turkish companies is also lagging behind their competitors in Europe and, more critically, in the more dynamic economies of south-east Asia. Companies are now investing - very often belatedly - in technology to meet increasingly stringent international quality design and technology standards. They

are adding capacity to attain economies of scale and improve productivity. Furthermore, Turkey's adoption of EU



Piracy should begin to decline: counterfeit sports bags on sale in Islambul on Picture: Tyry Kit

trade, consumer protection, intellectual property and competition rules will have a profound impact on business. Piracy, shoddy goods, dishonest marketing, overt government subsidies - all common in Turkish business - should begin to

Whatever the immediate outlook for customs union, Turkish business has accepted that there will be no return to protectionism. Already, Turkish companies are keen to develop closer links to international partners. The beginning of what may be a long process of rationalisation and takeover activity in industry - usually involving European groups ms to be emerging.

Unilever, the Anglo-Dutch food and consumer group, took over the export business of Komili, a local olive oil and soap maker. Bosch of Germany has paid \$150m for a 65 per cent stake in PEG-Profile, Turkey'a second-largest white goods company. Investment bankers say there are many more alliances, mergers and acquisitions in the pipeline.

Exports are no longer seen simply as an opportunistic reaction to a depressed local market, but part of a development strategy. For instance, Turkey's car industry, which is supposed to be threatened by import competition, is linking with its European allies.

Tofas, which produces Fiat cars under licence and is Turkey's biggest car producer, is integrating operations with Fiat of Italy. All Fiat Tempras are made by Tofas and exported to Europe.

Mr Jacques Chauvet, general manager of Renault's Turkish affiliate, says the issue of "integration is on the table. Repault means to take a global view," Renault is broadening its local product range by importing more models from France. The manufacturer is encouraging its suppliers in Europe to move to Turkey. Unlike Flat, Repault does not yet feel sufficiently confident to produce cars in Turkey for export.

Closer ties with the EU are prompting etronger investment by non-European companies seeking a low-cost bridgehead. Japan is now Turkey'e largest single foreign investor, accounting for just under me-fifth of inward investment

Given the difficulties of the past two years it is not surprising that business planning tends to be defensive and exportoriented. Yet nobody can afford to ignore Turkey's domestic market. It has a population of 62.5m that is growing by 2 per cent a year. Half the population is under 29. Demand for consumer goods is strong, particularly since so many households still lack appliances that many Europeans would consider as basic.

However, Turkey's greatest handicap is its turbulent economy in which demand can rise and crash with uppredictable speed. Business leaders are right to say that their greatest handicap is incompetent economic policy-making in Ankara.

Retailing: by John Barham

### igry young consumers

Demand may be volatile, but is fundamentally strong: the economy has grown an average 5 per cent a year since 1980

Marks and Spencer, Britain's best-known retailer, has no trouble with its image in Istanbul. It opened a small, fourfloor store in the city's chic Nisantaşi shopping district in September and swiftly sold all its stock.

Fortunately for Istanbul's status-conscious consumers, M&S flew out emergency supplies to the store, which is run as a franchise operation by a Turkish group.

While rivals sneer that the rush at M&S will not last, it did show just how promising retailing in Turkey can be. The industry is underdevel-oped - Istanbul, a city of about 12m, has only four large shopping malls. One of them, the imposing Akmerkez mall, won an award as Europe's best

Above all, Turkey has a young and rapidly-urbanising population with a heavy appetite for brands and appliance Demand may be volatile, but is fundamentally strong: the economy has grown an average 5 per cent a year since 1980, although profits in the retail industry have grown four times faster

Mr Bülend Ozaydinli, general manager at Migros Türk, Turkey's biggest eupermarket chain, saye modern retailing only really came to Turkey about five years ago, after the government liberalised the

Now, he says "we are running a marathon at the pace of a 100-metre race." The Koc conglomerate took Migros over from its Swiss partner in 1974 and began rapid expansion in 1990, just as the first foreign companies began arriving.

Switzerland's Metro was the first foreign group in. It opened the first of its six stores in Istanbul in 1989. Since then the likes of Carrefour and BHS have arrived and others such



Tesco are looking around. Margins are high. Migros had a gross operating margin of 16 per cent and a net margin of 5.4 per cent in 1994, although the company made most of its money by channelling cashflow into the high-yielding government bond market.

In 1994, a very bad year for siness, Migros increased net profit by 77 per cent in dollar terms to \$13.2m even though sales fell 3 per cent, Migros says its profit growth normally averages about 20 per cent a

Growth is driven by expansion to meet powerful demographic forces. The population is growing by 2 per cent a year. Half the 62.5m population is aged under 29. Turkey is also urbanising rapidly. Although executives say disposable incomes are rising faster than official figures indicate, wealth is also believed to be becoming more concentrated. Estimates of Istanbul's spending class varies between only one-quarter and one-tenth of the city's population.

Retailing is still dominated by the ubiquitous Bakkals, or small corner shops. They are friendly, prepared to sell on tick, open late, take telephone orders and are happy to deliver. Migros says the Bakkals control about 85 per cent of Istanbul's retail market.

Yet their days are numbered. Migros is already targeting the Bakkals and their high margins with its chain of Sok out-

lets, small discount stores selling basic grocery products. Migros also intends to strengthen its lock on its main middle class market with an aggressive invastment programme to quintuple turnover to \$1.5bn by the year 2000.

As the market develops it should also become more sophisticated. Shopping mall managers complain that progress is hampered by a shortage of brands. Mr Aydin Bilgin, general manager of Capitol, Istanbul's newest mall, says: "You are seeing the same shops at all the centres."

Specialisation should gather pace as more players enter the market. For example, Radio Shack, the big US electronics retail chain, is planning to open a store in Istanbul. Several European DIY chains are also planning to enter the mar-

Customs union should further improve the range and quality of products and lower prices once European imports enter Turkey duty free, Mr Doğan Bolak, M&S's Turkisb partner, says prices at his new Istanbul store are about one third higher than in the UK. Once customs union comes into effect, the difference should fall to 1-2 per cent.

Expansion is a two-way street. Migros is building a store in Baku, capital of Azerbaijan, and wants to expand into other former Soviet states and into eastern Europe.

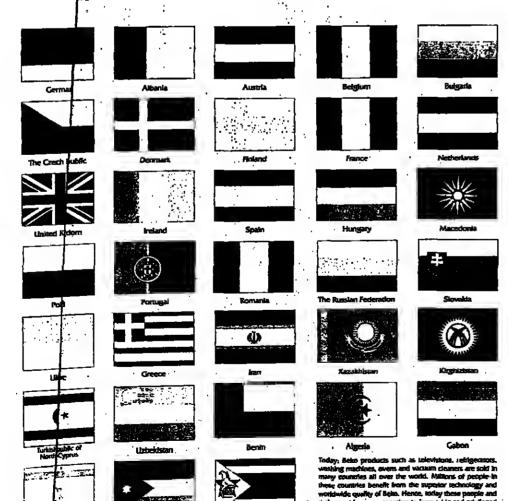
The principal problem confronting the market is Turkey's chronic economic instability. Capitol's Mr Bilgin says: "If people believe they have got stability, then they will start to spend. But you can't tell what will happen. You can't make

However, stability would bring lower interest rates, ending reteilers' magnificent returns from financial markets. Yet the experience of Brazil, once plagued by heavy inflation, is encouraging.

US drugstore giant Wal-Mart will invest \$118m to build five stores in São Paulo, Brazil's largest city, similar in size and demographics to Istanbul. The retail industry will invest more than \$3bn in Brazil by the year 2000 - more than the car indus-

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■ Customs union: by David Tonge

### Closer to Europe

The rules of business have been dramatically rewritten, with Turkey introducing competition legislation equivalent to that in Europe

This year has been Turkey's year of Europe. If Ankara has its way, the year will culmi-nate in the European Paritament endorsing the customs union agreement with the EU signed on March 6. But, even if this vote is postponed, a momentum has been built up linking Turkey closer to Europe than at any time since the Ottoman troops first pitched tents outside the walls of Vienna.

EU foreign ministers confirmed on October 30 that they see no technical details pre-venting customs union between Turkey and Europe. For European business, Turkey's long-closed markets are virtually open. The past two years have seen a dramatic acceleration of Turkey's tariff reduction programme.

This has continued throughout 1995, so that for most producers the level of protection against goods from the EU has been slashed. Final abolition of tariffs and levies on goods from the EU is due at the end of this year, although this could be delayed if the European Parliament fails to endorse the agreeme

Turkish business has on the whole welcomed the change. Mr Sakip Sabanci, head of the Sabanci group, Turkey's second-largest conglomerate, says: "It will make us more dynamic. Of course, we did well with customs protection. But that is finished now. Instead, I have to provida world-quality goods at competitive prices and with the correct service. Some companies will have difficulties. But it will help my country.

In parallel with tariff reduction, the rules of business have been dramatically rewritten, with Turkey introducing competition legislation equivalent to that in Europe and much several hundred Turks on

intellectual and industrial property regimes. Even without customs union

being formally introduced, these changes have already encouraged many leading international companies to reappraise their policies in this traditionally exotic market. Bosch has just bought a controlling share in Profile, Turkey's second-largest white goods company. US food manufacturers have been building up their presence in Turkey. British supermarket multiples are beginning to explore the route already beaten by Carrefour, Makro and Promodes. And south-east Asian car manufacturers are investing in Turkey as a route into Europe. Turkey's manufactured goods have long entered the EU duty-

With more than half of Turkey's trade already with EU countries and the bulk of

The socialist group in the European Parliament has been briefed

in Europe, the commercial links are solid - and will certainly grow when Turkey's textila and garment industries have unrestricted access to

While the trading relationship is solid - and helped by Turkey'a importance as a route to the new republics of central Asia - the political debate has also taken on a new dimension. The formal side of it includes increased institutional mechanisms for political dialogue with Turkey. However, far more dynamic has been the interchange between Turkey and Europa on democratisa-

The very real prospects of the socialist group in the Euro-pean Parliament blocking customs union led to July's changes in the constitution and to October's minor amendments in the notorious Article 8 of Turkey's anti-terrorism law which has been used to jail

ganda. This prospect has also caused sansitivity to the fate of the six pro-Kurdish DEP deputies sentenced last December and whose appeals recently

For Coskun Kirca, recently foreign minister and now minister of state responsible for Turkey's relations with Europe, "democracy is a process, an ideal", to which Turkey is committed, both morally and through its treaty relationships with the Council of Europe. He warns that any delay in the European Parliament will be interpreted as a victory by the fundamentalists in Turkey opposed to the country becoming closer to Europe. Tha socialist group in tha

European Parliament has been fully briefed on this concern and it remains to be seen how It will balance this with the broader issues of civil liberties in Turkey.

On November 22, the Committee for Foreign Affairs, Security and Defence of the European Parliament is due to discuss the matter, with its recommendations to be taken up by the full assembly of the parliament on December 14. The 52-member committee is generally considered to reflect accurately the mood among the 622 members of parliament and, should the mood appear negative, it is probable that the committee would decide to delay the matter by failing to produce a recommendation,

thus preventing a vote. The preference for delay rather than a rejection comes in part from the legal ambigu-ities surrounding the vote. The Turks argue that the customs union was already agreed by member states in 1970. In private, the European Commission to some extent supports this, describing the customs union agreement as a technical one rather than a political one.

All of which means that, whether in December or some time next year, a positive vote is likely and Europe'a customs union with Turkey would formally reflect the growing links which have already developed with this long-marginalised

Danid Tange is chief executive of IBS Research and Consul-

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### 'The goal is to sell shares overseas

Sakip Sahanci, 62, is one of Turkey's leading business figures. He heads the Sabanci (pronounced Sabanji) family industrial empire. Its 47 companies employ 30,000 people in businesses ranging from banking to cars to textiles with an annual group turnover of \$6bn. Sabanci is Turkey's second-largest ATE THINGS

Like other top Turkish industrialists, Mr Sabanci's influence extends well beyond the business world. He has repeatedly called for the government to pursue somic reform with greater determination.

He has advocated a political solution to the 11-year guerrillas in the south-

In a wide-ranging interview in the group's twin tower arters overlooking Istanbul, Turkey's corporate Sabanci discussed Turkey's principal management, mic and political iss Question: How do you evaluate the current business

Answer: As an industrialist, the situation has got better this year. With the situation now I have more profit; more exports, I pay more taxes and invest more, buying equipment and capacity. 1995 in dollars [terms] is getting better and better. For instance, turnover at Sasa [producer of man-made fibres] is \$450m. In the next four

years we estimate additional capacity will raise this to \$1.2bm. Profit at our finance arm Akhank rose strongly. Sabanci's end-of-year profit will be \$1.0bn. Can you explain how you are reorganising the Sabanci

group? Mckenzie (the US consulting firm) has been working with us for several months about preparing for the next generation. How we do this is my most important area, not just opening more factories. By 2002 our strategy will be to focus on 10 sectors each with at least \$500m turnover. There will be new areas:

telecoms, energy, petrochemicals, which we will enter either via privatisation or direct investment.



Turnover will increase from \$6bn to \$15-20bn. Do you also intend to reduce the family's stake by selling equity to outside investors? We will sell more and more shares. We will float shares in companies, although this will take time. In 1996 we plan to sell shares in the holding company and Sasa. We already have 10 listed companies. The goal is to sell shares overseas. We are also

discussing human resources, privatisation, how to expand outside Turkey. How will the planned customs union with the EU affect Turkish business?

There already is competition for everything. There are no more high customs walls. In the near fature (with customs union), there will be yet more competition. Costoms union will bring many advantages to Turkey. From my point of view it will bring dynam and competitiveness, But some small and medium companies will have difficulties. Even Schanci will have difficulties in some areas. Competition pushes us.

And if we join others we can exchange ideas and learn. How does Turkey's political turnoil affect you? It seems to me that Ankara and the politicians are in a different area from producer Ankers is moving slowly and is not successful. But businessmen are dynamic. In the last 10 years Turkey has suffered [worse] problem

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Toyota, Philip Morris,

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John Baram

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■ Textiles: by John Barham

### Bankers report lending surge

The industry is now in the throes of rapid expansion, piling on investment in capacity and

technology At some point in the past 12 months, hundreds of mainly small and medium Turkish textile companies reached the same decision independently.

They reasoned that a planned customs union with the European Union was inevitable and would radically

change their businesses. The elimination of trade barriers with the EU in 1996 would be followed later by the dismantl-ing of worldwide restrictions on the taxtile and clothing

They decided to embark on a crash investment programme. The industry, one of Tur-key's most successful exporters and largest employers, is now in the throes of rapid expansion, piling on investment in

capacity and technology. Bankers report a surge in lending to textile and clothing companies to finance imports of machinery. In the first eight months of the year, the government issued \$3.51bm worth of investment incentive certificates for textiles.

Turkish companies have big markets to develop in Europe. Ms Nur Ger, head of the clothing industry's trade associa-

"The textile and clothing industries already produca \$10bn worth of goods a year and \$7bn is for export."

More than two-thirds of these exports go to the EU, and half of these exports go to Germany. Recorded textile exports are likely to doubla in 1996.

Although most of the exports are subject to quotas, in most cases the limits are set so high that in practice they represent few difficulties for Turkish

exporters.

Ms Ger says the real benefit of a customs union will be psychological: "We speak the same language. We are producing short-term-delivery fashion products for the middle class market. We will work to the same rules as the EU. Our market will be open to the Euro-

Furthermore, customs union will give greater impetus to integration of design, production and marketing operations as EU companies move less profitable activities to low-cos countries such as Turkey.

Within Turkey, activity is moving away from the established centres of Istanbul and

government investment incen tives to locate new factories in the interior of Austolia. Turkey, a large producer of cotton, is expected to increas production rapidly. Cotton out put is expected to double to 1m-12m tonnes a year once the

stern Turkey is com However, the EU will still retain some important compar ative advantages in textiles and clothing over Turkey, according to the Clothing Man-

huge Gap irrigation project in

ufacturers Association. To begin with, productivity in EU countries is double Turkey's. Energy prices in the EU tend to be lower. Financial costs are also considerably lower. Raw material costs between Turkey and the EU are not significantly different.

Although the industry is progressing rapidly, quality and value added are still poor. Mr Batu Tesder, export manager at Zeki Triko, a Istanbul swimwear maker, says he imports fabric from EU countries in order to meet the high standards of his export mar-

Turkish suppliers are terrible," he says, stretching some Italian fabric. "See this? It's all black. Turkish suppliers used to send ma stuff that went



A crash investment programme is under way. Companies are borroing to finance imports of machin-

white when it stretched. No

Zeki Triko, a family-owned company with 150 employees and annual turnover of \$10m-12m, has carved out a hierative niche for itself. But Mr Tesder says that EU markets are so competitive that there is little room for profit there.

The real money is still to be are up to five times greater

He is unsure whether customs union will be good or bad for his company. It will certainly increase competition and Zeki'a premium prices of \$100 a swimsuit may have to

Mr Tesder has one word of advice for his Turkish competitors: "Quality, quality, quality. It is better than it was, but they have to think about quality more."

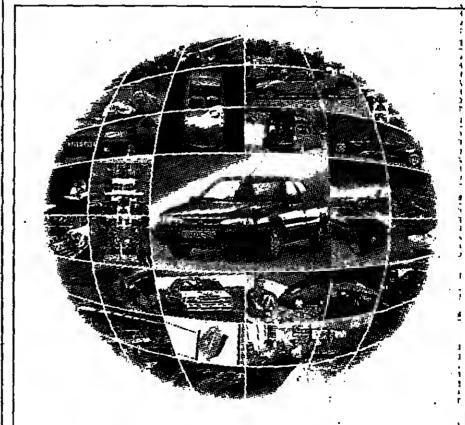


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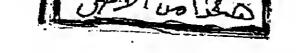




Upon request, our Sept. 95 audited balance sheet is available Mrs. Sibel Sanus, AGM BANK KAPITAL T.A.Ş. Büyükdere Caddesi, Yapı Kredi Plaza, C Blok. Levent 80620 Istanbul-Turkey Tel: 90-212-2831549 or 90-212-2831550. Fax: 90-212-2809873



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#### COMMODITIES AND AGRICULTURE

### LME lans inquiry into copper price volatility

By Kenneth Gooding. Mining Correspondent

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The London Metal Excinge is to hold a inquiry into k present state of its coppensarket.
Mr David King, the change's chief executive, arbunced yesterday. The volatily of the country price has been executive. yesterday. The volatily of the copper price has bee causing concern among som consumers but My King strised that the LME poard between the market was in no dy "disorderly" and the exertive had no plans to interne in its

The exhange excutive has disordery marketheveloping. Mr Kin and one two close colleages are kpt fully in touch with situation in all time rarkets visa confidential repring systm. He said tial rebrting systm. He said the iquiry wuld simply enabl him to get more detail information. It would give some mor comfort to

News of the inquiry followed quickly after the International Wrought Copper Council, which represents mainly fabricators in Europe and Japan, wrote to the LME voicing its concern about market volatility. Most fabricators use the exchange's prices for their con-

Consumers have been particularly worried about the pre-miums being charged for immediate delivery over the three months delivery price on the LME. This premium or backwardation has reached \$220 a tonne in recent weeks. Last night it was at \$175 a tonne compared with \$200 at Tuesday's close.

Analysis argue that the cop-per market is particularly prone to volatility because supply and demand have been closely balanced for some time. Any news of supply interrup-tions causes fabricators to rush to buy extra metal to protect their future production.

Although most analysts agree that a global surplus of copper is either already developing or will do so next year, present stocks are low and much of the copper in LME warehouses is understood to be tightly held by organisations that either have commitments to deliver physical metal or

Some analysts also sugges

that recent volatility has been

caused by US hedge and com-

modity funds selling short selling metal they do not own in the expectation that they could buy it back later at a lower price - and having to cover their positions. The LME's inquiry will dig more deeply into this situation.
in his notice to LME members yesterday, Mr King said that he would ask for more informa-

tion about such things as

client positions, credit lines

and trader-consumer relation-

### Go-ahead given for MIM's Queensland

By Nikki Talt in Sydney

Holdings. Brisbane-based mining company, and the smaller Savage Resources yesterday announced that they were going ahead with the A\$350m (US\$263m) Ernest Henry copper-gold mine in north-west Queensland, following the grant of key mining leases by the state government.

and current plans are for a 15-

year mine life with annual pro-

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duction averaging 95,000 tonnes of copper and 120,000 troy ounces of gold.

cash already beld and project financing now being arranged.

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### Nigeria looks to the sea for oil sector's future

Deep-water drilling has begun in the country's new offshore blocks, writes Paul Adams

il majors have begun deep-water drilling in Nigeria's new offshore blocks, which could transform the oil industry of Africa's biggest producer. In 1993 ten multinationals signed production sharing contracts to develop new fields with no government equity, which if successful could take over in the next century from the existing joint ventures with the government

in the Niger delta. But at water depths of up to 2,000 metres, this is a frontier basin and the multinationals warn that they must find bigger oil fields than those now producing in the Niger delta if the new acreage is to prove commercial.

The industry has a rule of thumb that for every metre of water a well most have 1m bar-rels of producible oil to repay he investment. Very few Niger delta fields have more than 1hn barrels of reserves so the new operations are looking for the biggest ever fields in

"To find one giant field spread the risk the majors off the coast of Warri in 1,000m which would produce about have bought into each others' of water with a rig brought in 200,000 barrels a day we would expect to pay \$350m and another \$1bn developing it, so below sea and the cost is partly we are likely to spend \$1.5hn

before we turn the tap over a period of six years from now," says an exploration engineer with one of the majors in Still there was no shortage of demand for the new acreage. The six existing big producers of Nigeria's 2m barrels a day -Shell, Mobil, Chevron, Elf,

Agip and Texaco - all signed up and BP returned after a 14ar gap since nationalisation. There were also three big newcomers to Nigeria - Norway's Statoll in its alliance with BP, Exxon and Conoco. Shell has taken 11,00 sq km in five new blocks and is spending \$50m in the first year of

Others such as Amoco of the US and Canada's Abacan, which is in partnership with a local company, have also

The drilling could be 2,000m

determined by how deep you go, so at a total depth of 5,000m it might cost \$25m to drill a single well," says an explora-tion engineer in Lagos. The BP Statoil alliance.

which began the drilling in August at shallower depths, with two wells in 325m and 500m of water, is drilling up to a total depth of 3,000m at an estimated cost of \$15m a

Statoil, the operator, has a ten-well option with Wilrig semi-submersible rigs, which float but are anchored to the sea bed, and has paid for them to be upgraded to drill at up to 800m depth. It is committed to drill eight wells at a cost of

In September Shell (in partnership with Exxon, Agip and Elf) began drilling about 150km

by Sedco Forex that can drill a further 3.500m below the sea. This is one of only a dozen rigs in the world that can drill at such depths," says Mr Femi Lalude, general manager of Shell Nigeria Exploration Com-pany, which was incorporated to operate only in the new blocks.

Since Nigeria's first commer

cial discovery in 1956, all production has been on land, in swamp or in shallow water off the Niger delta. In 1992 the Nigerian government awarded exploration licences to ten multinational oil companies as joint venture partners, mostly offshore but also in the Gongola basin in the northern arid

The deep water blocks are so far unexplored, but experts rate them as highly prospec-tive. Less is known about the oushore blocks in the Gongola

The production-sharing contracts free the oil majors of the financing delays experienced by the operators of the existing joint ventures with the stateowned Nigeria National Petroleum Corporation, which owed them \$700m at the start of this year. The offshore blocks also by-pass the problems of operating onshore in the Niger delta. where community relations between the operators and mostly impoverished local communities have led to violence and over 100 stoppages

for Shell alone in 1994. The signature could allow Nigeria to reach its stated target of 25bn barrels of proven reserves and 2.5m barrels a day of production, which the cur-rent joint venture structure cannot achieve. The industry needs to invest about \$5bn a year to hit those targets. The Nigerian government cannot afford its 58 per cent share of that cost but refuses to reduce its equity. As a result production has slightly declined over the past two years, despite repeated warnings from the oil

including some from the Ivory Coast," said one. "There was

offering into the forwards, and

At the close the March deliv-

Traders said the early

upward move had been

inspired by a technical rally on

the New York cocoa futures

market on Tuesday, which saw prices soar to 10-week highs.

futures ended firm but off the

highs as short-covering ran

into some producer selling sell-

By the close, the spot

preminm bad weakened

slightly after soaring to \$218 a

LCE robusta COFFEE

ery contract was up £2 at £970

a tonne, having touched £983

it kept a lid on prices."

### Analysts link diamond price rise Russian contract negotiations

held negotiations along."

difficult and complex.

ficial exports from Russia

Precious Metals continued

Bylenneth Gooding

Artice increase for very big igh or uncut diamonds ounced yesterday by De ers' Central Selling Organiion was probably linked to cussions going on between e South African group and sia about a new sales conact, analysts suggested.

The CSO, which controls bout 80 per cent of world rade in rough diamonds, said rices of stones of two carats r more would go up by 5 per ent. This is the second time in four months that prices for these types of diamonds have een increased. In July the CSO announced a price realignment that involved an ncrease for blg diamonds and a cut of about 10 per cent in wery small stones. De Beers insisted that the

COMMODITIES PRICES

driver and followed persis-Russians were upset and tently strong retail demand in the U. and Japan, the biggest accused the organisation of starting a price war. There are signs that the relationship has markets for diamond jewellery. improved recently but a draft Mr. Mark Cockle, editor of Diamataire, a newsletter pubnaw contract has still to be

lished by the CRU interna-Mr Michael Spriggs, analyst tional consultancy group, said large diamonds had been attracting a premium above at SBC Warburg, said: "The issues are complex and Rusthe CO price in Antwerp. But sian politics so difficult at preshe also pointed out that it was ent that I would not be surextremely unusual for the CSO prised if we don't have an to arnounce a price increase at this line of year. "Perhaps it is agreement before the year end". He pointed out that the a sweetener for the Russians to CSO had only one "sight" or sales session before the year-The five-year contract between the CSO and Russia end, so the increase would have little impact on the CSO's on December 31 and negosales this year. But these were likely to reach a record \$4.5hm ons for a new one have against \$4.25bn in 1994. Neverthe CSO cut the prices theless, Mr Spriggs expected small diamonds, blaming De Beers to report unchanged

earnings for 1995.

# copper-gold project

The mine, to the north-east of Cloncury, will take about two years to build and should be in production late in 1997. Its proven and probable reserves are put at 127m tonnes, grading 1.1 per cent copper and 0.55 per cent gold,

MIM, which holds the controlling 51 per cent interest in the project, will buy all the mine's production. Although some concentrate may subsequently be exported, the main intention is to utilise MIM's smelting facilities in Mount Isa and its refinery in Townsville.

MIM ecquired its stake in the

project for A\$60m in 1993, after a lease dispute between Savage and Western Mining Corporation resulted in WMC having to cede full ownership of the project to Savage.

Savage said its contribution would be funded by A\$50m of

#### MARKET REPORT

### Gold resists downward pressure

The GOLD market was steady yesterday after resisting mod-est selling and efforts to probe support levels after Tues leap higher, London dealers

"The encouraging thing is that Europe tried to pressure it and it held up very well," said

The London price slipped briefly to a low of \$383.70 a troy ounce, but spent most of the time trapped under \$385

after topping at \$385.30. It closed at \$384.80, up \$2.35 on the day. On Tuesday afternoon the price had jumped over \$3 on investment fund short-covering and options-related bnying.

But it stalled after touching \$385.40 an ounce. The npward trend was resumed, however, after the London market closed and the New York November

futures position ended the ses

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sion \$3 up at \$385.40. New York dealers said Commodity Exchange (Comex) traders were waiting for open interest (uncovered contracts) figures to see if Tuesdev's

move was mainly due to shortcovering or fresh buying. The gold market could see further strength this week ahead of Friday's Comex

option expiry if option writers were forced to cover positions, dealers said. "The market is looking all

the more healthy since it estab-lished such a good base down around \$381 and \$382," one At the London Commodity

Exchange COCOA futures hit nine-week highs early on, but most gains were pared by the close in response to producer selling and some profit-taking. traders said. "There was origin selling,

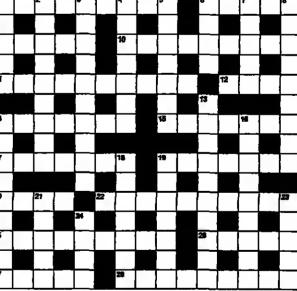
tonne on a lack of tenders against the expiring November

Compiled from Reuters

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9 Plain article read in the club

10 The actor fellow is about the right build (9)

11 Neat exhibits at the country fair (6-4) 12 The guy's in debt, but not too

14 Cup of tea left to get cold (7) 15 Striking entails disruption (7) 17 The line taken by the French is most offensive (7) 19 Spread awful scare ebout the

man on the wagon (7) 20 A quiet direction given in church (4) 22 Broke and nothing done about it! (10)

are thought heels (9) Transport for followers (5) crazy (5)

receiving a tip off (10)
4 Stand-off that is to include a member found with dope (7)

e and mark (4) Clock up mail (5)

a He'd stifle an order about rub-bish (9) 13 Farm workers admitting the money's a joke (10) 14 Race after a vehicle bloomer! (9) 16 Insert can include a jest (9)

16 Appearing m a suit specially designed for a hot country (7) Capital investment issue to be retained initially (7) 21 Small players fume (5) 23 An English poet completed

about a quarter (5) 24 Many a youth is so dressed (4)



BASE METALS LONDON METAL EXCHANGE M ALUMINIUM, 98.7 PURITY (\$ per torne) 1653.5-64.5 1698/1/4 1677.5-4.5 1644 1643.5-44.5 50,664 M AT AMENIUM ALLOY IS per toppe 1410-20 1390 1385-90 High/low Kerb close 3,315 1,144 ■ LEAD (\$ per torme High/low AM Official Kerb close Open int. Total delity turnover 33,740 5,168 MICKEL (\$ per tonne) AM Official
Kerb close
Open Int.
Total daily turnover B775/8740 44,906 10,794 III TIN (5 per torine) 6350-60 High/low AM Official Kerb close Open Int. Total daily turnove 6343.5-44.5 17,757 iel high grade (\$ per t ZNC, spec 1029-80 1043-44 1022-5/1022 1022-22.5 \$ per torm E COPPER, gra 2794-05 Close Previous High/low AM Official 2617-18 620/2785 2797-08 2788-80 3015-20 185,875 87,909 LME Closing S/6 rate: 1.5792 HIGH GRADE COPPER (COME 136.30 -1.60 136.30 136.30 189 132.18 -1.95 134.50 131.808,797 129.60 -1.35 130.80 129.80 127.10 -1.15 126.90 126.90 125.10 -1.15 126.25 125.00 1,767 125.15 -1.15 126.25 125.00 1,767 123.45 -1.15 124.30 124.3 49 PRECIOUS METALS II LONDON BULLION MARKET (Prices supplied by N M Rothschi S price 384.60-385.00 384.50-385.00 364.70 384.80 385.25-385.65 384.80-385.00 382.30-382.60 (Va USS) Loco Ldn Mean Gold Landing F ,\_3.30 \_,3.20 538.00 544.55 550.40 563.00 344.90 349.30 368.95 £ equiv. 241-243 \$ price 382-384 395.75-398 67-90

E GOLD COMEX (100 Tray az.; Stray az.) Dec Jun Feb Mar Apr May Total

-0.3 -0.4 365.6 385.0 54,460 98,061 -0.5 380.8 387.8 3,368 28,574 -0.8 393.2 362.8 -0.7 -15 416.0 412.0 7.25 16.797 -16 414.0 411.5 90 2.450 -18 415.0 415.0 11 1.730 -1.0 415.5 415.1 1 464 -1.8 - 1 8 - 125 400 6,573 SILVER COMEX (5,000 Troy oz.; Certs/troy oz.) ENERGY E CRUDE OIL NYMEX (42,000 US galls. \$/burnet 17.22 9.517 31.703 E CRUDE OIL IPE (\$/berrel) Inter change High 18.57 ±0.13 18.58 15.97 +0.07 15.97 15.85 15.85 +0.05 15.85 15.78 16.75 +0.02 15.76 15.71 M HEATING OIL MAREX (42,000 US guile; C/US gaile.) +0.21 51.35 50.76 13,965 +0.19 51.60 51.10 +0.13 51.20 50.85 +0.06 50.00 42.79 +0.10 48.50 48.40 -0.25 155.75 154.75 246 7,000 590 3,483 10 2,359 11,383 81,225 +0.25 152.25 151.00 -0.25 150.50 140.50 -0.25 148.25 149.25 M NATURAL GAS WHEX (10,000 ministr.; Stranger.) 1.870 +0.026 1.874 1,870 6,186 27,536 1,846 +0.013 1,852 1,836 1,776 +0.010 1,780 1,783 1,773 +0.007 1,775 1,695 1,492 14,853 656 11,134 276 7,341 IN UNILEADED GASOLINE NYMEX (42,000 US gale; cl.S (1984) +0.11 51.70 50.75 11,144 21,912 +0.01 51.10 50.50 4,753 14,944 +0.02 51.20 50.90 242 4,402 +0.03 51.25 51.00 384 2,496 +0.11 51,70 +0.02 +0.03 +0.12

51.25 51.00 53.60 53.40 53.60 53.60

273 3,202 190 1,685 17,033 60,880

70 117.00 +0.45 117.00 117.00 480.00 +1.00 461.75 400.00 9.122 42.847 483.00 +1.00 463.75 460.00 9,122 42.947 488.00 -0.57 489.75 487.50 5,57 38,535 488.00 +0.75 487.50 465.00 309 4,547 423.00 +1.75 423.00 418.50 1,579 15,804 423.00 +4.00 423.00 421.00 110 2,488 433.00 +2.00 432.00 428.00 57 808 III MARZE CET (5,000 bu min; conta/58b bushe) 331.00 -0.75 331.25 328.50 38.571 171,139 357.75 -0.25 38.00 396.25 24.322 9.704 336.50 -0.25 336.50 396.75 3.452 35,785 336.00 -0.25 336.50 324.25 5,721 46,886 296.25 -0.75 236.75 295.50 837 7.875 117.10 +0.70 118.85 116.80 120.50 +0.80 120.10 120.00 122.50 +0.80 122.75 122.25 683.25 - 683.00 680.00 4.238 6.358 683.75 -0.50 680.90 685.90 30,233 67,033 687.50 - 686.00 684.00 6.944 37,950 701.00 +0.25 701.50 686.39 2.227 12,925 702.00 - 703.00 687.50 3,414 687.50 687.75 -1.00 686.00 687.00 . 37 925 28.50 -0.17 29.50 28.28 8,746 32.157 28.43 -0.18 28.52 28.42 4,146 18,823 25.71 -0.11 28.58 28.70 2,002 13,127 25.94 -0.11 27.10 28.90 828 7.507 27.04 -0.11 27.17 27.03 1,027 6,344 27.03 -0.12 27.20 27.05 23 915 SOYABEAN MEAL CET (100 tone; S/ton) +0.7 210.0 208.3 9225 44,404 +0.5 211.0 209.2 7,725 22,446 +0.6 213.0 211.1 2,505 20,053 +0.5 212.5 211.0 1,405 7,225 +0.5 212.0 211.4 1,457 2,015 - 211.5 210.5 53 330 22,761 194,818 POTATOES LCE (E/torne) -1.5 297.5 286.8 -37 80 92 107 85 32 1 1675 1695 1690 1670 1575 1885 1985 1985 1487 1570 1850 1660 1485 1485

rounds 1894 crop sold out; new crop 3,450 SFR/FOT MEP; 26/28 3,560 (both aveilable CFR/FOT MEP; 28/28 3,550 (both avaliable December). Us almonds (phalad) 23/35 NPSSR new crop price at 6,600 FAS; Ocean signify, market quiet. US walnuts (shelled) light halves and places; "35 crop 5,950 FOB – vary firmt some suppliers withdrawn until completion of hervest, shortage of light kennels. Indian carbases W220 (anv) 3,050 FOT Roberdam; up alightly but still week. Turkish Hasahrut kennels 13/19 standard in; "35 crop at 3,250 CaF MEP – up slightly. Turkish aproxis "35 crop at 2,825 CFR MEP, special office for spot. Surfavor seeds "35 crop; N. Dekota 22/34 at 950 CFR MEP; 20/34 at 850, very difficult.

536 399 1,156 1,178

400 94

1357 10,458 17,957 1553 12,223 31,840 1414 1,323 8,731 1433 129 3,522 1458 306 7,489 1469 35 6,839 1372 1408 1427 1442 1467 1465 III PORK BELLIES CME (40,000ths; pents/fbs) III COCOA (ICCO) (SDR\*s/torme) 2580 2465 313 1,923 2367 2316 3,245 13,551 2298 2253 1,074 6,053 2225 2190 260 3,259 2523 2354 2286 2214 3,299 510 LONDON TRADED OPTIONS 2155 127.96 +2.95 128.00 128.25 3,428 124.10 +2.30 125.00 122.00 1,519 122.00 +2.45 122.25 121.50 85 129.75 +2.00 120.75 128.25 25 119.75 +1.50 120.00 118.55 11 118.00 - 118.55 118.55 145 COFFEE (ICC) (US cents/pound) 374.8 +1.0 377.0 372.0 615 3,446 375.8 -1.0 342.5 337.2 1,555 14,701 326.6 -1.2 322.0 223.2 229 4,805 320.9 -1.4 324.2 321.0 273 2,537 222.6 - 294.0 292.5 145 2,851 226.6 -0.1 286.7 285.5 22 532 226.6 -0.1 286.7 285.5 22 532 LONDON SPOT MARKETS ■ CRUDE Oil, FOB per barrel/Dec) 10.75 -0.12 10.90 10.85 7.059 78,115 10.51 -0.10 10.64 10.46 1,510 20,430 10.27 -0.13 10.42 10.25 855 13,454 10.19 711 14,678 10.10 -0.10 10.22 10.10 305 9,182 III OIL PRODUCTS NWEprompt delivery CIF (tonne 1027 -0.13 10.42 10.25 10.19 -0.12 10.33 10.19 10.10 -0.10 10.22 10.10 10.08 -0.07 10.06 10.06 Heavy Fuel Off Naphtha Jet fuel E COTTON NYCE (50,000 be; cente/be) 94.51 -1.59 85.90 84.10 1,045 18,489 84.32 -1.61 85.65 82.83 3,608 18,804 64.53 -1.55 86.15 84.85 82.83 3,608 18,804 64.55 82.83 3,608 76,265 -2.09 86.30 84.85 82.84 5,465 76,28 -0.17 80.00 78,76 19 1,428 77.07 +0.02 77.24 78.80 370 5,666 40.44 82.89 8 III OTHER Gold (per troy cz) # ORANGE LEACE NYCE (15,000bs; centa/bs) 123.20 -0.70 124.25 122.25 163 124.70 -0.30 125.05 124.10 1,755 Tin (New York) 126.95 -0.05 125.95 126.10 301 129.15 +0.25 - 128.50 112 131.15 +0.35 130.50 130.50 27 132.15 +0.46 132.40 132.40 134 Open interest and Volume data shown to contracts traded on COMEX, NYMEX, CST, NYCE, CME and CSCE are one day in ansers. INDICES ■ REUTERS (Base: 18/9/31=100) CRS Figures (525c: 1967=100) \*Nev 7 Nev 9 month ago / 244,34 245,53 — GSCI Spot (Seet 1970-100)

Cattle (five weight)† Sheep (five weight)† Pigs (tive weight)† Lon. day sugar (wre) Bartey (Eng. feed) Maize (US No.) Yello Wheat (US Dark North)

Rubber (Nov)♥ Rubber (Oec)♥ Rubber (KL RSS No1) \$775.0u \$820.0 Coconut Oil (Phil)§ Palm Oil (Melay.)§ +15.0 -2.5 g. z Dec. u i CFR

27 The drifter is certainly oot 28 Bother anyone can cause (9) DOWN I Taking some care because it's an old instrument (5) Examines 26 just to oblige (9) 3 They'll go around places,

### INTERNATIONAL CAPITAL MARKETS

### French reshuffle buoys European sentiment

By Richard Lapper In London and Lisa Bransten in New York

European bond markets remained in confident mood yesterday following Tuesday's government reshuffle in France and signs of economic weakness in a number of markets. The strength of the Treasury market and a stable dollar also buoyed sentiment.

■ In France the December 10-year future broke through a new contract high, while in the cash market the 10-year vield spread over German bunds fell by 7 basis points

Traders expect the new government to tackle the fiscal deficit with greater vigour and there are also hopes that the Bank of France will today announce a further cut in its 24-bour emergency lending woods yet."

rate, possibly by up to 40 basis

There was no new economic growth buoying gilts. Yesterpoints.

There was no new economic growth buoying gilts. Yesterpoints.

"The market is on a roll. Confidence is certainly very high at the moment," said Mr Stuart Thomson, chief international economist at Nikko Europe.

#### **GOVERNMENT** BONDS

He warned, however, that any signs of dollar weakness could put pressure on the Franc, inhibiting the government's ability to cut interest rates further.

Mr David Brown, economist at Bear Stearns International, struck a bearish note. "The reshuffle had all the hallmarks of rearranging the deck-chairs on the Titanic. The government are in no way out of the

although the Bundesbank did announce a further 2 basis point cut in the securities repurchase rate, continuing the recent downward trend.

Mr Thomson says recent signs of an economic slowdown are paving the way for a reduction in interest rates in the relatively near future. "The economy is flirting with recession. there is a growing feeling the Bundesbank will cut again." said Mr Thomson.

noward movement in prices was mainly a result of technical factors. The 10-year bund future closed at 97.27, up nearly half a point.

Traders said yesterday's

■ The publication of the Bank was the highlight in the UK with its picture of slower

yield curve with the 10-year yield spread over Germany narrowing by 4 basis points to close at 158. Mr Simon Briscoe, chief UK economist at Nikko Europe, predicts further outperformance in the run-up to the Budget later this

■ US Treasury prices were higher in early afternoon trading yesterday as traders shrugged off the possibility that the US might default on its debt and focused instead on the lack of supply caused by the cancellation of this week's Treasury auctions.

In early afternoon trading, the benchmark 30-year Treasury was # higher at 108# to of England'e inflation report yield 6.25 per cent. At the short end the two-year note was up at 100%, to yield 5.47 per

**NEW INTERNATIONAL BOND ISSUES** 

economic data released vester-

On Tuesday evening a Congressional committee passed a bill that would raise the US debt ceiling and allow the Treasury to continue rolling over its debt until December 12. White House officials said they would recommend a presidential veto because of the short time frame and provi-sions that would bar the Treasury from using governmental trust funds to pay bond

Today, the Commerce department is to release figures on

October producer prices, which should help traders make an assessment about the inflationary pressures. Economists expect the producer price index to be unchanged after September's 0.3 per cent

The Chicago Mercantile Exchange yesterday took a step further towards becoming a centre for emerging market derivatives, launching futures and options on the Brazilian currency, the real.

Brazilian

currency

derivatives

This is the second Latin American offering for the exchange. The CME in April restarted its long-dormant Mexican peso futures contract. Last week, the exchange membership voted to create a new division to trade futures contracts on the currencies, debt, and stock markets of emerging

In addition to creating 467 new memberships on the exchange, the new unit, called the Growth and Emerging Markets division, is aimed at strategically diversifying the

CME's product base.

About 80 per cent of the Chicago exchange's business is currently centred on eurodollar futures and options, and is dependent on the over-the-counter swap markets to generate growth.

The Brazilian futures exchange, the BM&F, already offers a popular Real/US dollar futures contract. The CME hopes to draw business to its real pit by offering the conve-nience of a US business environment and US dollar settle-

The CME's real product is also sized for institutional use with each contract representing 100,000 reals. In addition to the Mexican peso and the Brazilian real, the CME is seeking regulatory approval to trade futures and options on Mexican Brady bonds and a Mexico 30 Stock Index.

The exchange also intends to seek contracts on Brady bonds based on the debt of other Latin American countries.

### gench frai CME offers | Syndicated ban for HK airport project

By Simon Holberton in Hong Kong

The financing of Hong Kong's multi-billion dollar airport project reached a milestone yesterday when the Provisional Airport Anthority, the owner and operator of the new facility of Chep Lap Kok, announced it bad signed an HK\$8.2bn syndicated loan underwriting agreement with a group of local and international banks.

The deal marks the first time the PAA has raised external finance and follows an agreement in the summer which ended five years of diplomatic wrangling between the UK and China over the financing of the airport and related projects. The airport is due to open in April 1998, a year behind schedule.

The announcement underlined the importance of syndi-cated bank finance to the project. Since the summer, banks have undertaken to lend more than HK\$12.5bn to companies involved with the airport and

its connecting railway!

The PAA loan will consist of
a term facility of HK\$6.4bn
which matures in March 2001,
and a revolving credit facility

of HKi3bn which matures in Septemer 2001. The loans will be struk at a margin of 43 basis unts over Hong Kong inter-bok offered rate. althought has not yet been decided it will be a margin

South Market

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 $(x_{n_{k}}, x_{n}) \in \mathcal{F}$ 

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da re-

BON MONEY RATS

47

over the or six month Hibor. Underhe terms of agreement the AA can borrow up to a furth SHK3.4bn to fund its operators. Mr James Dundas, PAA nance director, said the authory was in discussion with the hng Kong Monetary Authority tout commencing a programmed fixed-rate issues of up to fiv years' duration.

He said he authorty has reserved s position on approaching foreign apital markets. "Fr the time being we made thoudgment hat as a first-time orrower, [bank finance] shold be ou first

The underwiters and lead arrangers of the loan are 3ank of China, longkong and Shanghai Barr, ABN AIRO Bank, BA Asa, BZW sia. Chemical Securities sia. Industrial Back of Jaan, J.P. Morgan Scurities Aia. Sanwa International Ficace, Société Générae Asia, 1d Standard Chartered Capai

### Legal framework for gilt repo published

By Antonia Sharpe

The Bank of England yesterday published the inal versions of documents which will provide the legal framework for the open gilt expo market which is set to start at the beginning of next year. The introduction of a tepe market - which will alkee

investors and traders to both row and lend UK government, bonds (glits) through so-called sale and repurchase agree ments - is expected to improve

the liquidity and efficiency o the gilts market.

The documents published yesterday include the gilt repo legal agreement, which comprises a revised version of the PSA/ISMA master repurchase agreement, a code of best prac-tice, and a report from the settlement working party. A revised gilt stock-lending agreement will be issued shortly which will include netting and set-off clauses consistent with those on the

PSA/ISMA agreement.

### Good demand for Korean bank global

By Conner Middelmann

The eurobond market sprang back to life yesterday with a flood of issues, predominantly in US dollars and D-Marks. Korea Development Bank's long-awaited \$500m global bond finally materialised yes-terday and is to be priced today at a spread of 75 to 78 basis points over Treasuries.

INTERNATIONAL BONDS

Korean bond spreads have been widening in recent weeks, in part due to heavy selling by Japanese banks offloading bond positions due to their rising funding costs. At the indi-cated spread over Treasuries, bowever, most dealers deemed

the bonds fairly valued. Lehman Brothers, joint lead with Salomon Brothers, reported good European and US demand for the bonds. The US Federal Home Loan Mortgage Corporation issued \$500m of three-year global bonds callable after one year, priced to yield 47 basis points over three-year Treasuries. deal jointly with Morgan Stanley, reported good non-US demand, but other banks in the group said they saw no European demand and sold their positions into the US.

A \$200m six-year deal for Unilever was one of the day's most successful offerings; priced at a tight 15 basis points over Treasuries, the spread nonetheless tightened to 121/4 basis points at the close on strong demand, largely from Swiss investors, said SBC War-burg, joint lead with IBJ.

Two asset-backed deals surfaced yesterday: \$1.327bn of fixed- and floating-rate bonds for ATT Universal Card Master Trust via Merrill Lynch and

Borrower US DOLLARS	DIL.	%			%	bp	
ATT UCMT, S.95-2, Cls.A(a1)#	675	(82) (85)	(#2)FI	Oct.2000	0.308	+40(5%%-00)	Merrill Lynch & Co.
ATT LICMT, S.95-S, Cla.A(e4)±	652.5		(edS)FI	Oct.2002	0.35R		Merrill Lynch & Co.
ederal Home Loan Mtg.Crp.(b)	500	6.07#	100,00R	Nov.1998	0.175R		Goldman/ Morgan Stanley
Kores Development Bank	500	(C,8)#	(c)R	Nov.2002	0.825R		Lehmen/ Salomon Brothers
Unitever(f)	200_	6.00	100.038R	Jan.2001	0.25R	+15(5%%-00)	IBJ Ind./ SBC Warburg
-MARKS							
Crédit Local de France	1 <b>b</b> n	5.15	100.50	Dec.2000	2.00		Nomura Bank Deutschland
GZ Bankt	300	(4)	99.63	Nov.2005	0.20		DG Bk./Trinkbus 6. Burkhard
Bayer.Vereinsbenk O'seas(e,l)	200	5.00	100.87R	Dec.1998	0.1875R	+10(5%-98)	
BECC	200	4.625	99,89R	Dec.1996	0.1875R	410(5%%-989)	Goldman Sachs 6. Co.
andesbank Phaintand-Ptaiz>	100	5.25	100.00	Dec.2000	1.10	<u> </u>	IBJ Deutschland
CCI+	40bn	2.10	100.00A	Dec.2000	0.25R		Nomica International
TERLING							
Phoenix Inns(g):	249	•	-	-	-	-	Normana International
WISS FRANCS							
Crédit Local de France	150	3.75	102.70	Jan.2002	2.25		Peribes(Suisse)/SBC Warbury
andesberk Rheinland-Pfalz	150	3,75	103.05	Jan.2001	200	-	Credit Suisse
lelaba Finance Amsterdam	150	3.75	103.375	Dec.2000	2.00		Zurcher Kentonalbenk
BUILDERS							
Rabobank Nederland	350	5.50	99.80R	Dec.2000	0.259	+15(914%-00)	Rebobank Nederland .
SCUDOS							
Suropeen Investment Bankt	50bn	(0)	100.12	Dec.1998	0.10		BPSM/ BSN Portugal

£249m of floating-rate notes for Phoenix Inns, the UK pubs

per cent five-year bonds via Nomura, targeted at Japanese retail. A DM300m three-year In D-Marks, Crédit Local de offering for SGZ was placed France issued DM1bn of 5.15 largely domestically, while

DM200m of three-year bonds each for Bayerische Vereinsbank and GRCC were seen targeted largely at Swiss and

BENCH	MARK	GOVE	RNM	ENT BO	ND\$				BUND	<b>FUTURES</b>	OPTIONS (L	JFFE) DM2	50,000 pok	nts of 1009	•
		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago	Strikes	Dec	Jen CAI	LS	Vier D	ec Jac	
Australia		7,500	07/05	92,7300	+0.680	0.00	8.74	8.60	9700	0.52			.81 0.2		
Austria		6,875	08/05	100.0200	+0.020	6.86	6.91	6.97	9750	0,25			.70 0.4		
Belgium		6,500	09/05	87.7500	+0.360	6.83	8,95	7.15	9600	0.10			.53 O.E		
Canada *		8.750	12/05	198.0400	+0.080	7,50	7,58	7,79	Est. vol. to	rai, Chille 200	75 Puts 1545	S. Previous o	tay's open in	A, Calle 168	H
Denmark		7.000	12/04	96.0000	+0.640	7,62	7.77	7,95							
France	BTAN	7,750	04/00	105,5000	+0.375	6.27	5.47	6.87	Italy						
	DAT	7.750	10/05	104.7400	+0.790	7,07	7.29	7,48						-	
Germany E	Bund	6,500	10/05	101,0100	+0.310	6,36	6.39	6,61			AN GOVT.		7 FUTURE	-	
Ireland		6,250	10/04	89.8000	+0.250	7.86	7.98	8.30	(LIFFE)	" Link 200m	100ths of	100%			
Italy		10,500	09/05	B5.1800	+0,550	11,321	11,56	11,55		Open	Sett price	Change	High	Low	_
מבמט	No 129	6,400	03/00	119.9040	+0.183	1,52	1.54	1,59	Dec		1000	+0.88	-	103.00	
	No 17-4	4.6DQ	D9/Q4	113.2040	+0.158	2.75	2.76	2,65		103.00	103.72 103.31	+0.88	103.93	102.80	
Netherland	3	7.000	06/05	104.1800	+0,380	6,40	5.45	6,66	Mar	102,80	103.31	+0.495	103.20	102,80	
Portugal		11.875	02/05	104.5000	+0.230	11.05	11,21	11.25	III ITALIA	N GOVT. B	OND (BTP)	<b>FUTURES</b>	OPTION\$	UFFE) Lha	2
Span		10.150	01/08	94,6700	+0.440	10.65	10.64	10.90	Strikes		CH	16			7
Sweden		6.000	02/05	81.0240	+0.426	9,12	9.10	6.36	Price		Dec CAL			D	•
UK Gdts		8.000	12/00	103-11	+12/32	7.20	7.34	7.59				Mar		Dec	
		8.500	12/05	104-31	+21/32	7.78	7.89	8,13	10350		0.61	2.00		0.59	
		9,000	10/08	108-23	+21/32	7.91	8.02	B.23	10400		0.56	1.77		0.84	
US Treasur	у'	6.500	08/05	104-02	+9/32	5.94	5.95	6,20	10450		0.38	1.56		1.18	
		6.875	08/25	108-02	+15/32	6.27	6.27	6.53	Est. vol. to	at, Calls 391	Puts 4110,	Provous day	's open int.	Calls 48040	þ
ECU (Frenc		7.500	04/05	100.0000	+0.640	7.49	7.96	7.80							
	ng, Yvow Yor							ect Standard.	Spain						
				cent payable	DA LIDURACIO					NAI SPAN	SH BOND	e mitte	MEETE		
prices this t	Ri in 32nds, i	othors in dec	tome:			Sour	DO. MANS	International	HOIR						-
	EREST	DATE								Open	Sett price	Change	High	Low	
02 IKI	EKE21	HAIR	2						Dec	89.62	90.10	+0.54	90.18	89.62	
Latest				Treasur	Bills and	Bond Ye	dds:		Mar	-	89.90	-	-	-	
		On	e mente			nd Aust.		5.52	UK						
		8¼ Tw	o property -		5.65 TI	Wee year.		5.61	- NOTIC	NAL UK GI	LT FUTURE	SAFFE	P50,000 32	nda of 100	×
Steles loan ra		71 <sub>2</sub> To	rea month,		5,52 P	NE YOUR -		5.73							_
ed funds ed funds at t						-year		5.96 6.29		Open	Sett price	Change	High	LOW	
CO. MARIOS DE T	THE PERSON .	J4 (0)	o 14-0		2-0 3	- June		6.28	Dec	107-15	108-01	+0-21	108-06	107-14	
									Mar	167-04	107-12	+0-50	107-12	107-03	

### BOND FITTIRES AND OPTIONS

	Open	Sett price	Change	High	Low	Est. vol.	Open int
Dec	117.88	118.24	+0.60	118.32	117.82	173,034	111,408
Vo.	117.18	117,48	+0.54	117.50	117.16	3,208	10,332
Jun	117.28	117.64	+0 60	117.66	1 17-28	834	2,170
E LONG	TERM FRE	NCH BOND	OPTIONS	(MATIF)			
Sinko	_	CAL	LS			PUTS -	
Price	De	c Ma	r .	Jun	Dec	Mar	Jun
114					0.01	0.20	
115	3.2	7 3.0	0		0.02	0.38	
116	2.3	6 -		~	0.04	0 56	
117	1,4	6 1.6	5 :	2.12	90.0	0.84	1.22
116	0.7	2 1.1	1	-	6.20 ·	1.18	1.60
Est vol 10	toy, Carlo 43.6	15 Pus 71,8	51 , Presio	ne quy's ob	er inc., Cuits	147.710 Pue	144,358.
Genn							
NOTE	MAL GERM	AN BUND P	VIURES.	(CIPPE), D	W250,000 10	00015 OF 10	J%
	Open	Sett pnce	Change	High	LOW	Est, vol	Open int
Dec	96.92	97.27	+0.41	97.35	96.91	143178	197869
Mar	96.52	96.67	+0.41	96.70	98.51	1139	9167

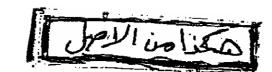
	Open	Sett price	Change	High	LOW	Est. vol	Open in
Dec	103.00	103.72	#B.D+	103.93	103.00	46523	44479
Mar	102.80	103.31	+0.86	103.20	102.80	137	1894
		OND (BTP)					
	W GOVI, D			OF TRANS	MITH IN		100
Strike Price	********	Dec CAL	Mar		Dec	PUTS -	Mar
10350		2.61	2.00		0.59		2.19
10400		0.56	1.77		0.84		2.46
10450		1.38	1.56		1.18		2.75
Est wat to	stat, Calls 3915	Puts 4110, F	revous day	s open int.	Calls 48040	Pula 49322	
Spain							
■ NOTK	MAL SPAN	SH BOND F	UTURIES (	MEFF)			
	Open	Sett price	Change	High	Low	Est. vol.	Open in
Dec	89.62	90.10	+0.54	90.18	89.62	63,997	33,684
Mar	-	89.90	-	-	-	1,021	763
UK							
NOTIC	WAL UK GE	LT FUTURE	S (LIFFE) E	50,000 32	nda of 100	%	
	Open	Sett price	Change	High	Low	Est, vol	Open In
Dec	107-15	108-01	+0-21	108-06	107-14	50606	111796
Mar	107-04	107-12	+0-50	107-12	107-03	429	2944
LONG	GILT FUTU	RES OPTICI	NS (LIFFE)	250,000 64	the of 100	%	
Strike		CAL				PUTS -	
Price	Dec			tar De			Mar
108 109	0-39		-14 1-				2-03
110	0-15 0-04		-54 1-4 -36 0-4				2-41 3-21
					Calls 33550		921
Est. vol. 10	rosi, Castro 6663						
	ral. Calls 6663	Pus 2103, P					
Ecu			1111				
Ecu		RES (MATIF)	ECU100,0				
Ecu		RES (MATIF) Set price	ECU100,0	High	Low	Est. vol.	-
Ecu	IOND FUTU	RES (MATIF)	ECU100,0		Low 87.96	Est. vol. 1,051	Open in 9,203
Ecu Ecu e Dec	OND FUTU	RES (MATIF) Set price	ECU100,0	High		_	
Ecu Ecu e Dec	OND FUTU Open 87,98	RES (MATIF) Set price 88.28	ECU100,6 Change +0.50	High 88.28	87.96	1,051	
Ecu Ecu e Dec	OND FUTU Open 87,98	RES (MATIF) Set price	ECU100,6 Change +0.50	High 88.28	87.96	1,051	
Ecu Ecu Dec US US TR	Open 87,98 EASURY BO	Set price 88.28 SND FUTUR Set price	ECU100,0 Change +0.50 ES (CBT) S Change	High 88,28 100,000 31 High	87.98 ands of 100	1,051	9,203 Open in
Ecu Ecu E Dec US E us TR	Open 87,98 EASURY BO Open 117-12	Set price 88.28 OND FUTUR Set price 117-28	Change +0.50 ES (CST) S Change +0-15	High 88.28 100,000 S High 117-29	87.96 Ends of 100 Low 117-09	1,051 2% Est. vol. 248,465	9,203 Open in 404,017
Ecti ECU E Dec US E US TR	Open 87.98 EASURY BO Open 117-12 117-02	Set price 88.28 OND FUTUR Set price 117-28	ECU100,0 Change +0.50 ES (CST) S Change +0-15 +0-15	High 88.28 100,000 Si High 117-29 117-17	87.96 2nds of 100 Low 117-09 116-31	1,051 PM Est. vol. 248,465 3,053	9,203 Open in: 404,017 35,233
Ecu Ecu E Dec US E us TR	Open 87,98 EASURY BO Open 117-12	Set price 88.28 OND FUTUR Set price 117-28	Change +0.50 ES (CST) S Change +0-15	High 88.28 100,000 S High 117-29	87.96 Ends of 100 Low 117-09	1,051 2% Est. vol. 248,465	9,203 Open in 404,017
Ecti ECU E Dec US E US TR	Open 87.98  EASURY BO Open 117-12 117-02 116-25	Set price 88.28 OND FUTUR Set price 117-28	ECU100,0 Change +0.50 ES (CST) S Change +0-15 +0-15	High 88.28 100,000 Si High 117-29 117-17	87.96 2nds of 100 Low 117-09 116-31	1,051 PM Est. vol. 248,465 3,053	9,203 Open in 404,017 35,238
Dec US US TR	OPEN ST.98  DEASURY BY OPEN 117-12 117-02 116-25	Set price 88.28 OND FUTUR Set price 117-28	ECU100.0 Change +0.50 ES (CST) S Change +0-15 +0-15 +0-07	High 88.28 100,000 Si High 117-29 117-17 117-01	87.96 2nds of 100 Low 117-09 116-31 116-25	1,051 249,465 3,053 3,747	9,203 Open in 404,017 35,238
Dec US US TR	OPEN ST.98  DEASURY BY OPEN 117-12 117-02 116-25	Sett price 88.28 OND FUTUR Sett price 117-28 117-17 117-00	ECU100.0 Change +0.50 ES (CST) S Change +0-15 +0-15 +0-07	High 88.28 100,000 Si High 117-29 117-17 117-01	87.96 2nds of 100 Low 117-09 116-31 116-25	1,051 Est. vol. 249,465 3,053 3,747	9,203 Open in 404,017 35,238
Dec US US TR	OPEN ST.98  EASURY BY OPEN 117-12 117-02 118-25  WAL LONG Y100m 100	Sett price 88.28 Sett price 117-28 117-17 117-90	ECU100.0 Change +0.50 ES (CST) S Change +0-15 +0-15 +0-07	High 88.28 100,000 35 High 117-29 117-17 117-01 PVT. BONII	87.96 thick of 100 Low 117-09 116-31 116-25	1,051  Ent. vol. 249,465 3,053 3,747  Est. vol. 2370	9,203 Open in 404,017 35,233 8,146
Dec US US TR	OPEN 117-12 116-25 116-25 OPEN 100 OPEN 100 OPEN 100 OPEN 100 OPEN 120.03	Sett price 88.28 OND FUTUR Sett price 117-28 117-17 117-00 TERM JAP tris of 100%	ECU100.0 Change +0.50 ES (CST) S Change +0-15 +0-15 +0-07 ANIESE OC	High 88.28 100,000 Si High 117-29 117-17 117-01 DVT. BONI High 121.56 120.25	87.96 2nds of 100 Low 117-05 118-31 116-25 D FUTURE Low 121.30 120.02	1,051  Est. vol. 249,465 3,053 3,747  Est. vol. 2370 586	9,203 Open in 404,017 35,233 8,146
Dec US US TR	OPEN 117-12 116-25 116-25 OPEN 100 OPEN 100 OPEN 100 OPEN 100 OPEN 120.03	Set price 88.28 Set price 117-28 117-17 117-00 TERM JAP Ins of 1009	ECU100.0 Change +0.50 ES (CST) S Change +0-15 +0-15 +0-07 ANIESE OC	High 88.28 100,000 Si High 117-29 117-17 117-01 DVT. BONI High 121.56 120.25	87.96 2nds of 100 Low 117-05 118-31 116-25 D FUTURE Low 121.30 120.02	1,051  Est. vol. 249,465 3,053 3,747  Est. vol. 2370 586	9,203 Open in 404,011 35,233 8,146 Open in
Dec US US TR	OPEN 117-12 116-25 116-25 OPEN 100 OPEN 100 OPEN 100 OPEN 100 OPEN 120.03	Sett price 88.28 OND FUTUR Sett price 117-28 117-17 117-00 TERM JAP tris of 100%	ECU100.0 Change +0.50 ES (CST) S Change +0-15 +0-15 +0-07 ANIESE OC	High 88.28 100,000 Si High 117-29 117-17 117-01 DVT. BONI High 121.56 120.25	87.96 2nds of 100 Low 117-05 118-31 116-25 D FUTURE Low 121.30 120.02	1,051  Est. vol. 249,465 3,053 3,747  Est. vol. 2370 586	9,203 Open in 404,011 35,233 8,146 Open in

UK GILTS P	RICE	s											
Notes	nì Y	Tellal Rod Pri	- 10 + 2 mg		995	Hotos	ñ	Yield Red	Prios E	+ Cr —	High	995	Notes (1) (2) Price E + tr - High Lew
Sharter (Liven up to Five Virezo 1400 1995). 15-lard 1996). 15-lard 1996). 2-merisan 10to 1995 1-merisan 10to 1995 1-merisan 10to 1995 1-merisan 10to 1997 1-merisan 1907 1-merisan 1907 1-merisan 1907 1-merisan 1907 1-merisan 1908 1-merisan 1908 1-merisan 1908 1-merisan 1908 1-merisan 1908	13.81 14.64 12.80 9.66 12.30 10.01 6.95 8.44 13.02 9.20 1.18 6.77	8.46 10 6.47 103 6.37 103 0.49 10 6.42 10 6.54 10 6.56 10 6.08 11 8.70 10 6.76 10	bil	1095 1074 1043 1098 1059 1000 1032 117, 197, 1014	101% 104% 103% 103% 104% 104% 100% 100% 144%	7 4.pc 2006‡‡ 7 4.pc 2006‡‡ 8pc 2002–6‡‡	9.77 8.16 7.86 7.81 7.89 9.03 6.13 10.01 8.28 7.86	7 17 7 77 7 76 7 86 7 84 7 69 7 28 7 27 7 29	97% at 99,4 101,4 122,5 1043,2 1343,2 1064,2	中心ないないないない	1281 1051 974 991 101 & 1258 1056 1358 1704 1024	119 <u>13</u> 97 <sup>2</sup> 11 94 <sup>2</sup> 12 93 <sup>3</sup> 11 126 <sup>2</sup> 2 107 <sup>2</sup> 2 94	20 86 (87.9) 0.22 3.00 2142 +4 2142 2016 442 2016 2016 2017 124 +3 1124 1052 2016 2017 124 +3 1124 1052 2016 2017 124 +3 1124 1052 2016 2017 1252 2017 1053 3.04 3.51 1772 41 1775 1053 2016 2017 1053 1253 1152 41 1153 1052 2017 1053 1253 1253 1253 1254 1153 1052 2017 1053 1253 1253 1253 1253 1253 1253 1253 12
Tream 64-upc 1995-988\$  Fires 15-bpc 1998  Fires 15-bpc 1998  Fires 199 Reb 1999  Fires 199 Reb 1999  Fires 101-pc 1999  Fires 101-pc 1999  Fires 101-pc 1999  Fires 101-pc 1999  Fires 101-pc 1999  Fires 101-pc 1999  Fires 101-pc 1999  Fires 1990 2000  Fires 1990 2000  Fires 1990 2000	1259 1057 8.67 1269 9.50 8.27 8.27 6.44 1063	8.97 12 6.98 113 6.97 10 -106, 7.04 11 7.05 110, 7.08 5 7.15 110 7.76 10 7.27 12		1245, 1143, 1073, 10033, 11034, 11034, 10037, 1234,	120% 109% 100% 99% 111% 105% 105% 100%	Over Villade Years Treas 6 1/4pc 2010 Darn 9pc La 2011 ‡‡ Treas 9pc 2012†‡ Treas 9pc 2009-12‡‡ Treas 8pc 2013‡‡	7.35 6.26 8.24 8.29 7.98	7,96 7,98 7,98 7,95 7,95	7913 100%	43	852 111½ 111½ 80%	101近 102点 72元 83提	Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in periodicales show Figures and code (6) and code (6) in months prior to besue) and have been adjusted to reflect releasing of RPI to 100 in February 1987. Convestion factor 3.945. RPI for February 1985; 146.9 and for September 1985; 146.9 and
1406 1999-1	1203	6.86116	<u> }= </u>	1174	1142	73,pc 2012-154# apc 2015 Tress 0'4,pc 2017##	7.93 7.96 6.13	7.97 7.95 8.00	97 <u>1)</u> 1001 <sub>2</sub> vet 10713	+13 +13 +14	99년 102년 110년	91 <u>31</u> 93 <u>31</u> 10031	Yebi1995 Nates lat Red Price S + or — Fligh Low
Fire to Filmer Years 1res for 2000x; 100; 7001 ±1 9 apc 2007 8cc 2003±1 10c; 2001 -1 10c; 2001 -1 10c; 2001 -1 10c; 2001 -1 10c; 2001 -1 10c; 2001 -1 10c; 2001 -1	7.75 8.96 7.13 8.74 7.82 8.01 9.79 4.35	7.38 9 7.54 11 7.60 102 <sup>1</sup> 7.90 11 7.47 11 0.46 8		111-1 1022 11333 110 605	961 1043 991 1633 965 1103 1103	Special Page 2013-17	6.74 828 7.85 5.76 8.26	804	1374d 483 474d	44	492 451 451 471	127 Å	Agian Day 10% per 2009 8.97 8.46 114% 116.3 10932 Fram 11% pc 2012 9.47 9.00 121% 122% 182% 182% 182% 182% 182% 182%
Conversion \$1200 2004	8.55 7.23	7.76 11 7.76 93	1 Å	11113	103& 86.5	Consels 21/2pc	8.06 8.10	Ξ	31 31.	=	31% 31%	2033	Freide Anglis 37gc 2021 - 4.53 137 14392 13 44gc t 32194 - 4.46 13112 13992 12 10 18 5ates 16 202 2026 1336 1220 139

	FT-ACTUARIES Price Indices JK Gets	Wed Nov 8	Day's change %	Tue Nov 7	Accrued Interest	xid acij.		- Low Nov 8	compon Nov 7			Nov 7	n yield — Yr, ago	~ High Nov 8	Nov 7	
-	Up to 5 years (22)	121,98	+0.21	121,73	1.63		5 yrs	7.29	7.36	8.57		7.99	8,61	7.38	7,48	8,77
;	5-15 years (21)	148.41	+0.59	145.55	0.92	11.73	15 yrs	7.91	8.00	8.51	7.96	8.05	8.84	8.02	8.11	8.86
3	Over 16 years (3)	163,29	+0.88	161,89	1.61	12.13	20 yrs	7.87	8.06	8.48	8.00	8.09	8.64	8.05	8.15	8.79
4	brodeemables (6)	185,91	+0.89	184,27	D.34	13,47	Ared.†	8.06	8,73	8.57		.7		•		
5	All stocks (58)	142.10	+0.63	141,36	1.31	11,18						in .				
									- Indiatio	on 5%	_	- X4	- Inflation	10%	-	
	ndex-linked							Nov		v 7 Yr.		Nov			190	
ē	Up to 5 years (1)	194,51	+0,18	194.16	0.32	8.37	Up to 5 yra	3,1	05 3.	12 4.	08	1.5	96 2.0	2.2	90	
7	Over 5 years (11)	187.96	+0.43	187.18	0.98	4.45	Over 5 yrs		60 3.	63 3.	87	3.4				
8	All stucks (12)	187.97	+0.42	187.18	0.96	4.54								-	•	
,	werage gross tedemodos ye	aids and after	est above. Coupe	on Bends: L	ON: 0%-7%%;	Medium: 89	6-10%%; High:	11% and	over. † Fb	e ylend, ye	Your to	claste,				
	T FIXED INTER	PEST I	THE PER				GII	T ED	En 4	CTTV	TV 10	DICES				
•								304								
	MOA	O MON 1	Nov 8 Nov	2 MOA 5	C TENGO H	Bigh' Lo	-			Nov	r_	Nov I	Nov 3	Nov a	e r	kov 1

	112.58	11241	112.	6 112	04 91.39 95.51 42 107.69 114.66	108.77	Gift ISd 5-day a	IVO TO			79.3 72.6. 85.0 86.6	95.4 90.6	91 87	.8	86	0.0
for 1995, Government Securiti 28 and Fixed Interest 1928, St	activity is	ndices ne	letion: 7 sesed 1	27.40 (9/1 )74.	/319, lo≠ 49.18 (3/1/76).	Food Interest I	high ainc	se comp	hatione '	133.BT (	21/1/94) , low 50.68 (3/75)	. Etank 100	: Govern	ment Se	curito	s 16
FT/ISMA INTERN	LATIO	VAL I	ONE	SEF	VICE											
Ubled are the lettest internations less		r which t			te secondary market. La	teet prices at beend	7:00 pa Bki			8 Yield		lasued	84	Offer	Cha	,
S. DOLLAR STRAIGHTS					Sweden 6 97	2500	106%	106%	41,	4.45	Abbuy Ned Treasury 83 £ .	1000	9914	99 <sup>3</sup> 2	-3	
bbey Ned Treesury 5 97	1000	99 96	A.	5.85	United Kingdom 71 97					429	Alianos Leics 11% 97	100	108	1064	-4	
bbey Neil Treasury 612 00		00 100		6.49	Volkswegen Intl Fin 7 03				-1,	6.80	British Land 6% 28 £	150	99	9312	-3-	
BN Ambro Bank 74 05								27		6.80	Deremark 64, 99 £	130	96%	8815	+ <sub>1</sub> °	
frican Dev Bk 73a 23				7.09	World Benk 5% 08			971-2		6.30	EB 8 03 E		1003	1005g	+3.	
Sperta Province 7% 98				5.89			•				Helifax 10 - 97 C	100	10414	1042	4-2	
usida 81 <sub>2</sub> 00					SWISS FRANC STRAIG	HTS					Henson 103, 97 £		105%	1057		
ecton-Wignet L-Fin 8 2 00			Ly A	8.11	Asian Day Bank 0 16		374	374	41.	502	HSBC Holdings 11.69 02	169	11512			
ank Ned Gemeenten 7 99				597	Austria 41 <sub>2</sub> 00			105	4	3.10	Haly 1012 14 E	133		1157	44	
eyer Voreinetik 8% 00					Council Europe 44, 98 .	250	104	104%		290	Japan Dev Bk 7 00 £		110 <sup>1</sup> 4	110 <sup>3</sup> 4 98 <sup>1</sup> 2	44	
ekgium 5½ 03		F 90			Dermark 414 99			104%		287	Land Same Die 67 C		1043			
PCE 7- 97	150 10							103		284	Cintario 11 <sup>1</sup> 2 01 E	200	1044	10512	-	
tinh Colombia 74, 00	DOD 10					200	1144	1143		4.75	Powerpen 87 <sub>2</sub> 03 £	707	1134	113-8	44	
ritish Gas (121	1500 1	7 1			Finland 714 99	300	1133	11412		344	Severn Trent 11 2 50 £		103-8	1033	4	
aneda 61 <sub>2</sub> 97	2000 10				iceland 7% 00	100	115%	115%		401	Token Plac Private 11 OF	100	11114	7124	44	
tuung Kong Pin 51 <sub>2</sub> 98	500 9	4 9	12 44	7.12	Inter Amer Day 4% 03 _	000	104	105		4.14	Tokyo Elec Power 11 01 _ TCNZ Fin 94, 00 NZS	- 130	108	114	+4	
tara 61 <sub>2</sub> 04	1000 9		17 H	723	Ontario 6 4 00	400	1114	112		4.29	World Bunk 1212 97 NZ\$	250	1073-	100		
edit Fonder 912 95		710	4	6.00	Quebec Hydro 5 08	100	984	199	-3.	521	Credit Local & D1 FFr	7000	9614	96 <sup>1</sup> 2	44	
erament 5% 08	1000 1	00 100	4	5.73	SNCF 7 D4	450	118 <sup>to</sup>	116		444	Sec de Parece Sit 22 Ff.	7000	1001.	1084		
est Japan Pallway 65, 04		01 101			Smeden 4%, 03	000	104	1043		4.13	SNCF 94 97 FFr	4000	1047	10452	1,48	
CSC 84, 00				5.75	World Bank 0.21	700	274	28		5.04			IO-E	104-8		
B 6 04				6.33	World Burk 7 01	500	115 <sup>1</sup> 2	115%		3.73	FLOATING PATE NOTES					
B9497				5.55			_					leaned	Elic		Nor-	
Sec de France 9 98			77 44	5.87	YEN STRAIGHTS								5000			C
r-Im Bank Japan 8 00			4		Gelglum 590	79000	1134	113%	418	1.57	Abboy Not Treasury - 6 95	1000	99.66	99	J75	5.
apart Dev Corp 912 08	150 108		<b>1</b>		Credit Fonder 4% 00	75000		110%		2.99	Barkemerica 1 <sub>9</sub> 99	750	98.63		173	6.
ed Home Loan 74, 99	1500 10				28 6°s 00			120	+14	1.72	Belghare is 97 DM	500	100.11	100	23	4
Contract Marie Marrie 7 at 114	1500 400	<b>1</b> ⋅ 400	1. AL	6.25	C- by Darly become 42. D						Canada J. 00	8000				

Bacien-Warst L-Fin 8°s 00 100				8.11	Asian Dev Bank 0 16	37 lg	374	44	5.02	HS8C Holdings 11.69 (02 153	11512	1157 +	8.55
Bank Ned Gemeenten 7 99 100				597	Austria 41 <sub>2</sub> 00 1000	10512	105	47	3.16			1103	
Bayer Voreinetik 8 <sup>2</sup> a 00 50	0 107	1073	+1-8	6.11	Council Europe 4% 98 250 Desmont 4% 98 1000 EB 3% 99 1000 EB 6% 04 200	104	104%		290	BETTER Class Pile 7 CO P 200	001.	98l2 +1	
Gelgkern 5 <sup>4</sup> 2 03 100 BFCE 7 <sup>1</sup> 4, 97 11 Belieth Columbia 7 <sup>1</sup> 4, 00 00	U 94	945	7	6.42	Denmark 44 99 1000	10Ps	1044		297	Land Secs 9 <sup>1</sup> / <sub>2</sub> 97 £ 200 Create 11 <sup>1</sup> / <sub>2</sub> 01 £ 100 Poweges 8 <sup>2</sup> / <sub>4</sub> 03 £ 250	104%	10512 +5	8.81
BPGE 7-3, 97 10	0 102	102%	- 7	5.90	EB 34, 99 1000	1021	103		284	Ontario 11 <sup>2</sup> 8 01 £ 100	1134	105 <sup>1</sup> 2 + 1 113 <sup>2</sup> 2 + 1	7.93
Brean Countries 74, 00	D 1073	1073		634	EB 6% 04 200	1144	1147		4.75	Powergen 87 03 £ 250	103 <sup>1</sup> 2	1031 41	8.28
British Gap (12) 150	0 144	154	***	7.51	Panano 74 99 300	1131≥	11412		344	Severn Trent 11 2 90 £ 150	1114	7124 4	
British Gae () 21 150 Caneda 61 <sub>2</sub> 97 200 Creung Kong Fin 51 <sub>2</sub> 98 60	יוטר ט	1013	***	6.67	losiend 75 00 100 loser Amer Dev 43, 03 000	1154	115%		4.01	Tokyo Elec Power 11 01 150	1135	114 +4	7.86
Crand york us 25 as or	N 801	9612		7.12 7.23	Ontrice of the control of the contro	704	105	-12	414	TCNZ Fin 9'4 00 NZ\$ 76	108	109 +4	7.86
Cristra 6 <sup>1</sup> 2 04 100	10 96 <sup>1</sup> 17 710 <sup>2</sup>			600	Ontario 64, 00	1114	112	+12	4.39	Sovern Trent 11 <sup>1</sup> 2 99 £ p. 150 Totaco Bace Power 11 07 150 TCAZ Fin 9 <sup>1</sup> 4, 00 NZS 1 76 World Burk 12 <sup>1</sup> 9 57 NZ\$ 250	1072	100 +1	7.87
Credit Fonder 912 95 30 Derarent 51, 08 100	0 10			6.73	CMC52 04	30.6	99	-3	521	/W	864	96 <sup>1</sup> 2 + 1 <sub>8</sub>	6.78
East Japan Palkery 65, 04 80	0 10		43 <sub>8</sub>	8.45	Sharifus 45 M	1102	116 1043		4.44	230C On Partico 64, 22 FF. 3000	1001	1084 +14	7.99
FCSC 84 no 19	100	2003	8	5.75	World Bart 0.21	973.	28		4.13	SNCF 94 97 FFr 4000	104%	1045 4	5.92
FB 604	0 072	984	478	6.33	World Party 7 (1)	115%	115%		3.73	E Della parte maria			
EB 6 04 00 EB 9% 97 100 EB 9% 97 20 Esc de France 9 98 20 Es-Im Benk Jepan 8 00 80	0 1067	1074	4	5.55	112-2 DOI: 1-0	110-2	1134		aaa	FLOATING RATE NOTES			
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Es-Im Benk Japan 8 00 80	0 1067	109%	47	6.29	Beiglum 5 99	1134	113%	ı.	1.57	Abbey Net 7/9agury - 6 95 1000	99.69	99.75	5.8125
Basart Cer Caro 94- 03	D 1084	102	جله	595	Credit Fonder 4% 00 75000	110	110%		2.99	Portography la 00 · zeo		99.73	6.0000
Fed Home Loss 7 <sup>4</sup> 2 99	0 1047	1044	4	595	EB 6 00 100000	120	120	44	1.72	Belgian 1, 97 DM 500 Canada 1, 98 2000 CCCE 0 08 Box 200 Commentik O'S Fin 1, 98 750	100.11	100.23	4,4375
Federal Natl Mort 7,40 04 150	0 1074	1074	45	6.35	Fe-fra Breik Jacob 43- 00 105000	111	1114	•	250	Canada - 98 - 2000	99.29	99.38	5.8250
Finland 8 <sup>3</sup> s 97 300 Ford Motor Gradit 8 <sup>3</sup> s 00 150	0 10	1024		5.78	Inter Amer Dev 7 <sup>1</sup> 4 00 30000 Refy 3 <sup>9</sup> 2 01 30000	123	12312	43	1.84	CCCE 0 06 Ecu 200	99.41	99.54	5,6797
Ford Motor Credit 84, 00 150	0 1005	100%	şiş.	6.04	Rely 3 <sup>3</sup> 2 01 300000	105le	1081	41	2.53	Commentale O/S Pin -1g 98 750	99.57	98.85	5.7500
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300	0 924	834	+4	7.83	Spain 54, 02 125000	11572		44	255	Feeto dal Saar 0.10 97 420	\$00.02	100.21	8.1250
Koma Bac Power 63 03 135	U 1089	1097	44	6.17	Spain 54, 02 125000 Sweden 49, 00 150000 World Basis 54, 02 250000	108	10812	44	0.83	Firtand 0 97 1000	100.02	100.10	5,7500
TOTAL CITY COMES CON US	0 4547	1021	47	6.83 6.28	MOTE SEEK 54 02 25000	117	1172	44	237	Mi Bank Ital 14 89	99.71	99.7E	6.7812
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Ontario 7% 00 500	0 105	10512	43	6.56	Geninaryo Lur QL DD   Er 1000	104-9	105°a 1067a		727	LIGH Radon-Wasse Clar Ja DE 4000	100.02	100.12	6.1250
Norwey 7 <sup>1</sup> s 97 100 Onterio 7 <sup>3</sup> s 00 300 Oster Kontrolloenik 8 <sup>1</sup> 2 01 20	0 1103	1105	44	6.15	Finland 8 04 LFr 5000 Genfinence Lux 9 <sup>1</sup> g 99 LFr 1000 WS Deut inclusible 8 <sup>1</sup> g 03 LFr 9000	405h	10832		8.47 7.47	Lloyde Bank Perp S 0.10 600	99.83	99.91	5.6875
Portugal 5% 02 100	967	965	43	6.44	ABN Armo 6% 00 R 1000	1044	1042	438		Mandada 4. DD	99.50	89.21 98.70	5.9656 6.0000
Portugal 5% 02 100 Quabet: Hydro 9% 99 16 Quabet: Prov 9 88 20	0 108%	1084		6.29	Bank Ned Gerakhelen 7 02 51 1900	4/14	10412		829	New Zealand 1 <sub>8</sub> 99 1000 Nove Scotie 1 <sub>6</sub> 99 500 Creato 0 99 2007 Rente 0 98 500	99.77	99.86	6.8125
Quebec Prov 9 86 20	0 1057	10874		627	Bell Caracta 10°p 99 CS 150 Bellich Columbia 7°s 00 CS 1260 Caracta Mig & Hog 9°s, 99 CS 1000	1005.	110	44	7.51	Nove Scotie & 99	29.83	99.95	6.0825
S46 10 98 20 SHOF 91 <sub>2</sub> 95 15 Spain 61 <sub>2</sub> 99 150 Sweden 61 <sub>2</sub> 08 200	0 1%	110%	-4	6.51	British Columbia 7% 03 C\$ 1250	700	103%	•	7.87	Orazzio 0 99 2000	99.69	99.78	5.8375
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CONTRACT MANY CONTRACT					CHOSE FONCIST 67t DA SIZU 1000	10114	101 <sup>1</sup> 2	412	8.15	Grand Metropolitan 6 <sup>1</sup> 2 00710 4	554 108		435.6%
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#### **CURRENCIES AND MONEY**

#### MARKETS REPORT

### French franc rallies further after reshuffle

#### By Graham Bowley

The French franc gained more ground on the foreign exchanges yesterday on the belief that the government's commitment to fiscal reform and a strong currency has been strengthened by Tuesday's reshuffle.

The Bundesbank cut its repo rate by 2 basis points to 4 per cent, the lowest level since the end of 1988. This was broadly in line with expectations but nevertheless fuelled speculation that there might be further cuts in German short-term interest rates soon.

This speculation provided further support for the French franc and other European currencies against the D-Mark. The German currency finished weaker against most curren-

The franc was also underpinned by speculation that the Bank of France could make another cut in its 5-10 day interest rate today.

POUND SPOT FO

Europe Austria Belgium Dermari Finland France German

UK Ecu SDRT

The dollar was hit by the wranglings in Washington over the US budget and by Japanese current account figures which suggested that Japanese investors have been net sellers of overseas assets.

The US currency recovered later in the European session, despite a sharp decline in the Mexican peso which analysts feared could drag the dollar lower with it.

Sterling took heart from the Bank of England's latest quar-terly inflation report, in which it shaved down its forecast for price increases over the next two years.

■The dollar suffered B setback early in the session on Japanese current and capital account figures. These showed

-- Press. close --1.5795 1.5783 1.5765 --1.5853 1.5793 1.5775

1.5835 1.5790 1.5226 1.5181 2.1507 2.1416

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(MS) 4,0051 (NZS) 2,4171 (Peso) 41,3223 (SF) 5,9266 (SS) 2,2344 (F) 5,7472

2.2344 5.7472 1217.07

(Peso) (R\$) (C\$)

8.5771

10.5835

a decline in Japan's trade sur-plus to \$10.6bn but they also pointed to a net long-term capital inflow in September of \$786m, after an outflow of \$407m in August. This appeared to contradict recent received market wisdom that Japanese investors had been buying overseas assets to take advantage of the relatively high interest rates in

tations of most dollar bulls," said Mr Michael Burke, international economist at Citibank in London. But the dollar recovered later in the session, largely for

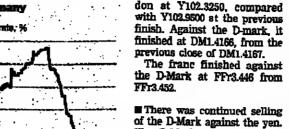
technical reasons as dealers

"This was against the expe

Europe and the US.

This was despits further declines in the Mexican peso, which has fallen in recent sessions as dealers have begun to question the sustainability of high interest rates given the current state of the Mexican

The markets are starting to



1990 91 92 93 94 95

look with increasing concern at Latin America." said Mr Jeremy Hawkins, chief economist at Bank of America in London. He warned that the dollar could suffer if the peso were to fall further because Mexico is a major trading partner of the US and the US government would be committed to supporting Mexico in any crisis.

The dollar finished in Lon-

don at Y102.3250, compared with Y102.9500 at the previous finish. Against the D-mark, it finished at DM1.4166, from the previous close of DM1.4167. The franc finished against

■ There was continued selling of the D-Mark against the yen. The D-Mark rallied strongly against the yen in recent weeks but has fallen back in recent sessions after hitting resistance around Y731/2.

The D-Mark closed at Y72.21 from Y72.63. The pound closed higher at DM2.2385 from DM2.357. Against the dollar, it finished st \$1.5802 from \$1.5781. The sterling trade-weighted

84.3. up from 84.2. The Swiss franc fell back slightly on the belief that the Swiss central bank is unhappy with the current high level of the currency. There was speculation that it might act soon to

exchange rate index closed at

weaken the currency by cutting interest rates.

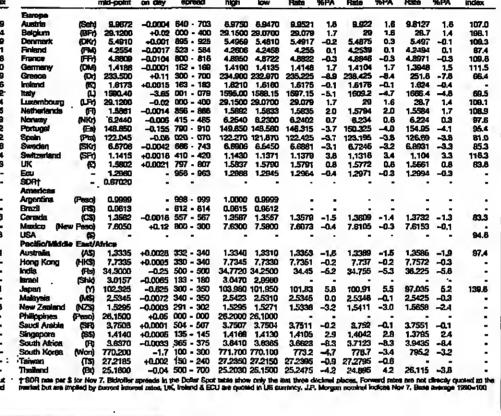
The Italian lira enjoyed a better day. It rallied on signs that the Dini administration is gaining in strength, which bolstered hopes that the government would be able to progress with planned reforms.

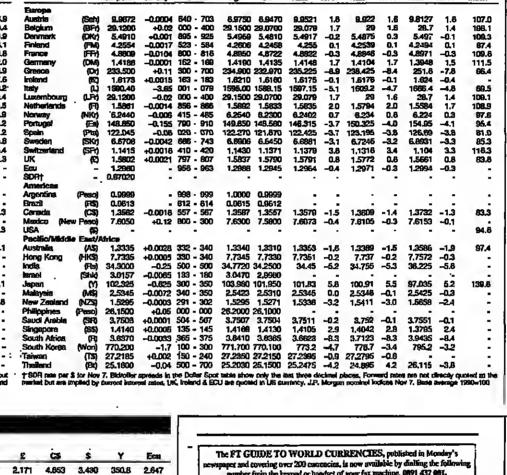
UK gilts and short-sterling futures rallied with the pound on the back of the Bank of England's better inflation outlook with the March short-sterling contract now discounting money market interest rates of around 6.37 per cent.

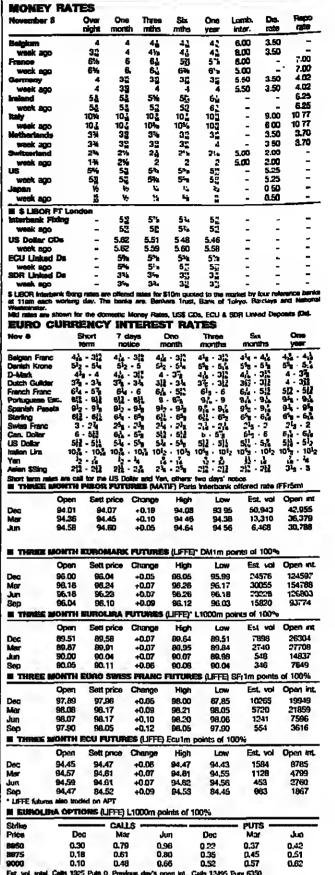
vided £742m assistance towards clearing a forecast money market shortage of

E OTH	TR CURRENCE	5
Nov 8	2	
Cencis Rp		25.2510 · 25.2610
Hampsy		132,220 - 132,270
CEU .	4742.10 - 4739.10	3000.00 - 3000.00
Koond	04739 - 04745	
Polend	3.8384 - 3.8917	24615 - 24620
Pentitis.	7152.67 - 7154.46	4525.00 · 4529.00
UAE	5.8014 - 5.8056	3,6725 - 3,6728

Nov 6		Closing	Change	Bid/offer	Day's		One mo		Three m		One y		J.P Morgan
		mid-point	on day	epread	high	low	Rate	%PA	Rate	%PA	Rate	%PA	index
Europe													
Austria	(Se			640 - 703		8.9470	9.9521	1.8	9.922	1.6	9.8127		107.0
Belgium	(BF		+0.02			29.0700	29.079	1.7	29	1.6	28.7		198.1
Denmark	(DK		+0.001		5.4969		5.4917	-0.2	5.4875	0.3	5.497		109.3
Finland	(17)		-0.0017		4.2606		4,255	0.1	4.2539	0.1	4.2494		87.4
France	(FF		-0.0104		4.8950		4.8822	-0.3	4,8846	-0.3	4.8971		109.8
Germany	(DA		-0.0001		1.4190		1.4148	1.7	1.4104	1.7	1.3948		111.5
Greece	(C		+0.11	300 - 700		232.970	235.225	-8.9	238.425	-8.4	251.8		66.4
ireland			+0.0015			1,6160	1.6175	-0.1	1.5176	-0.1	1.624		
italy	_ 0		-3.65			1588.15	1597.15	-5.1	1609.2	-4.7	1686.4		69.5
Luxembourg			-0.02			29.0700	29.079	1.7	29	1.6	28.7	1.4	109.1
Netherlands			-0.0014		1.5892		1.5835	2.0	1.5794	2.0	1.5584		108.9
Norway	(NK			415 - 485	6.2540		6.2402	0.7	6.234	8.0	6.224		97.6
Portugal	Œ			790 - 910		148.560	146.315	-3.7	150.325	-4.0	154.95		95.4
Spalin .	Ph		-0.06			121.870	122,425	-3.7	123,195	-3.8	126,69		0.18
Sweden	(SK	6.6708	-0.0042		6.6906		6.6881	-3.1	6.7245	-3.2	6.8931	-3.3	85.3
Switzerland	(SF	1.1415	+0.0018	410 - 420	1.1430	1.1371	1.1379	3.8	1,1318	3.4	1,104	3.3	118.3
UK		1,5802	+0.0021	797 - 807	1.5837	1.5790	1.5791	0.8	1.5772	8.0	1.5661	0.8	83.8
Ecu	-	1.2960		956 - 963	1,2988	1,2945	1.2964	-0.4	1,2971	-0.3	1.2994	-0.3	
SDR† Americas		0.67020				•			-	•		•	-
Argentina.	(Pess	0.9999		998 - 999	1.0000	0.0009							
Brazil	æ			612 - 614	0.9615	0.9612				-			
Corputa	(C		-0.0018		1.3587	1.3557	1.3579	-1.5	1.3609	-14	1.3732	-1.3	83.3
Manden (N	lew Pesc			800 - 300	7.6300		7.6073	-0.4	7.6105	-0.3	7.6153		•
USA	6						,,,,,,,,		7.0				94.8
Pacific/Mid			_										24.0
Australia.	LAS		+0.0028	332 - 340	1,3340	1,3310	1,3363	-1.6	1,3389	-1.5	1,3586	-1.9	97.4
Hong Kong	0-HC		+0.0005	330 - 340	7,7345		7.7351	-0.2	7.737	-0.2	7.7572		
India	(Fb		-0.25	500 - 500	34,7720		34.45	-5.2	34.755	-5.3	36.225	-5.8	
Israel	SH		-0.0065	133 - 180		2,9980	04.45	~~~	Q4.7.20	-02	30223	~	
Japan	130		-0.625	300 - 350		101.950	101.83	5.8	100.91	5.5	97.035		139.6
Malaysia	(MS		-0.0072	340 - 350	2.5423	2.5310	2.5345	0.0	2.5348	-0.1	2.5425		130.0
Maaysia New Zealan			-0.0002	291 - 302	1,5295	1.5271	1.5336	-3.2	1,5411	-3.0	1.5658	-24	
				000 - 000	26,2000		1,5336		1,5411	-3.0	1.0038	-24	-
Philippines	Pest		+0.05									•	•
Saudi Arabia			+0,0001	504 - 507	3.7507	3.7504	3.7511	-02	3.752	-0.1	3.7551	-0.1	-
Singapore	(S		+0.0005	135 - 145	1.4168	1.4130	1,4105	2.9	1,4042	2.8	1.3795		-
South Africa			-0.0033	365 - 375	3.8410		3.6623	-8.3	3.7123	-8.3	3.9435		•
South Kores			-1.7	100 - 300	771.700		773.2	-4.7	776.7	-3.4	795.2	-3.2	-
Tanyon	(T:		+0.002	150 - 240	27,2350		27.2395	-0.9	27.2795	-0.6		-	-
Theiland	(B	25.1800	-0.04	500 - 700	25.2030	25,1500	25,2475	-4.2	24.895	4.2	26,115	-3.B	





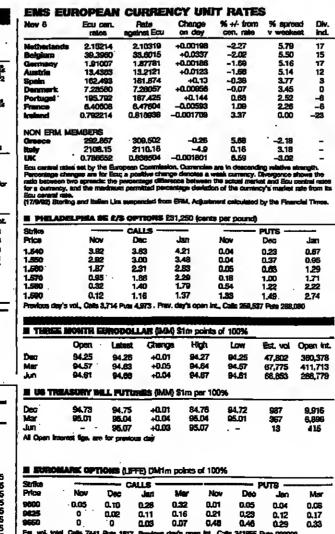


WORLD INTEREST RATES

#### CROSS RATES AND DERIVATIVES **EXCHANGE CROSS RATE** 4.853 2.470 2.778 0.958 2.193 0.085 0.855 2.172 0.911 1.112 2.033 16.75 8.889 10 8.446 7.895 0.307 8.078 7.817 3.279 4.001 7.316 2,579 2,902 1 2,291 0,069 0,893 2,268 0,962 1,161 2,123 2.121 1.126 1.267 0.437 1 0.099 0.390 0.416 0.507 0.827 2896 3258 1123 2572 100. 1003 2547 1068 1308 2384 21.42 11.37 12.79 4.409 10.10 0.393 3.937 10 4.195 5.116 8.361 510.9 271.1 304.9 105.1 240.7 6.359 93.86 238.4 100. 122.0 223.1 418.6 222.2 250.0 86.15 167.3 7.672 76.94 195.4 61.97 100. 22.88 12.15 13.67 4.710 10.79 0.416 4.208 10.60 4.481 5.467 10 5.843 2.079 2.339 0.806 1.846 0.072 0.720 1.828 0.767 0.936 1.712 186.2 209.5 72.21 165.4 6.431 64.49 163.8 68.71 83.82 153.3 89.58 161.6 75.41 102.3 100. 2,888 3,249 1,120 2,565 0,100 1 2,540 1,065 1,500 2,378 1.405 1.580 0.545 1.246 0.488 1.235 0.516 0.636 1.157 .0.678 1.216 0.569 0.772 58.08 59.72 20.58 47.14 1.838 18.38 48.68 19.58 23.89 43.70 1,152 1,297 0,447 1,024 0,040 0,399 1,013 0,425 0,516 0,949 0,554

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UK	Ø	46.06	8.67		2.238 0.93			9.867 23			1.804		2.143 1.58		1.218
Copyrida .	(C\$)		4.04		.044 0.46			4.604 106			0.842	0.467	1 0.73		0.569
US	(5)	29.15	5.46		.418 0.6			8.245 148			1.142		1.356 1	102.3	0.772
Jopan	(Y)	28.50	5.98	4.773 1	.385 0.6			0.108 149			1.118		1.326 0.97		0.754
Foul		37,79	7.11	6.327. 1	.836 O.8	D1 2062		8.094 . 192			1.480	0.820	1.758 1.29	6 132.6	1
Dunish Kro	oner, French Fran	c, Norwe	gian Krier,	and Swedish	Kronor per 1	D; Belgina F	tenc, Yen, Es	cudo, Lim and I	Pesets per 10	o.					
E D-MA	RK FUTURES	(IMM) E	M 12000	per DM				E JAPAN	ESE YEN	FUTURES	(IMM) Yen	12.5 per Y	'en 100		
	Open	Latest	Chage		Low	Est vol	Open int.		Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7076	0.7083	+0012	0.7089	0.7062	13,542	52,444	Dec	0.9766	0.9642	+0.0076	0.9969	0.9750	17,650	67,754
Jec Mar	0.7107	0.7109	+0000	0.7117	0.7107	83	3,726	Mar	0.9922	0.9975	+0.0074	1.0006	0.9822	293	8,581
Jun .	0.7107	0.7128	1	-	-	11	194	Jun	-	1.0028		-	-	2	367
	FRANC FUT	URES (	MM) Fr 12	25,000 per	SPr			E STERL	JING FUTU	RES (IMM)	282,500 p	er E			
Dec	0.8813	0.8813	+0001		. 0.8795	11,839	33,823	Dec .	1.5786	1.5800	+0.0024		1.5788	3,771	36,696
Mar	0.8886	0.8887	-0005		0.8881	72	2,051	Mar	1.5780	1.5792	+0.0048			2	225
Jun	-	0.8970	-	0.8670	-	22	492	Jun	-	1.5790	+0.0026	1.5730	-	2	10
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								Nov 8	Ecu o		Pate not Ecu	Change on day	% +/- from cen, rate	% sprea v weaker	
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Mar	93.58 93.58	93.95	+0.09	93.88	93.58	12058	46680
Jun .	93.47	93.55	+0.11	93.58	93,47	8286	39318 27437
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#### **CONTRACTS & TENDERS**

HZ-HRVATSKE ZELJEZNICE (CROATIAN RAILWAYS)

By virtue of the By-Law on the procedure for the purchase of goods and services and awarding of contracts 10ff. Gazette no. 13/95 dated 28th February 1495) aonounce: SECOND 8LU INVITATION

for the parchase of axies, monoblock wheels, axie assemblies, tives and brake dises for railway vehicles which was published for the first time on July 31st, 1995

Scope of this purchase includes:

1.1 Semi-processed wagon axles 1.2 Monoblock wheels

Axle assemblies for passenger coaches and freight wagons
 Tires for locomotives and trains

1.5 Brake dises for passenger coaches 300 pcs

Invitation to hid is open to all companies having an efficiently established quality assurance system is compliance with ISO 9000 standards that is to be proved by the certificate of an independent authorised institution.

4304 pcs

proved by the certainate of an independent authorised institution.

Bide shall be prepared on the basis of the documents which are available in HZ, Hvatske zeljeznice Sluzba 22 uvoz i żwaz, Zagreb, Mibanoviczwa 12, room 24 ground floor, telephone 385/01/4577941 or fax 385/01/4577547 from the first working day following the date of the Bid invitation publication until the Bid invitation deadline, against presentation of the payment slip on 3700,00 km paid to the HZ's giro account no. 30101-601-85044, or for foreign bidders against presentation of evidence that the sum of DEM 1,900.08 had been paid to the HZ's foreign currency account with Privredna banka Zagreb no. 30101-6:20-37-7000280-0182800-121474.

The bidders, who had paid the bidding documents at the previous bid invitation of 31 st July 1995, have to take over new documentation with no charges.

The 8 id is to comprise:

4.1 Designation of goods
4.2 Quantity of goods
4.3 Unit price
4.4 Delivery conditions
4.5 Payment terms
4.6 Financing possibilities and credit terms
4.7 Possible delivery times

Commerce persons

Statement that the goods will be made in accordance with the UIC regulations and such additional technical conditions as required by HZ. The priority wi0 be given to the bids which will contain, in addition to other advantageous conditions, better payment conditions resp. credit terms.

The 6 ids are to be remitted to the following address:

HZ-HRVATSKE ZELJEZNICE

The Bid is to be submitted in double sealed envelope. The outer and inne envelopes shall bear the following indications:

'NE OTVARATI-PONUOA ZA NATJECAJZA NABAVU OSOVINA MONOBLOKOVA, OSOVINSKIH SKLOPOVA I BANDAZA" ("DO NOT OPEN - THE BID UNOER THE BID INVITATION FOR THE PURCHASE OF AXLES, MONOBLOCK WHEELS, AXLE ASSEMBLIES AND TIRES"); attached to the inner envelope is to be the name and address of the Bidder acase that the Bid is to be returned if received untimely;

the Bids are to be submitted in the Croatian or English languages. The deadline for the submittal of the Bid is 24th November 1995. Only the bids which will reach the above address on the above deadline date by 12 am will be

The opening of Sids will take place on 28th November 1995 at 10.00 am in the HZ's headquarters in Zagreb, Mihanoviceva 12, room 184. The result of the Bid invitation will be notified to the Bidders within 30 days

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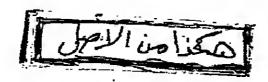
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### Takeover stories still the driving force in equities

UK Stock Market Editor

Predators still see the UK utilities sector as a happy hunting ground. With the day's company news coming down firmly oo the bull side. London's equity market was never under pressure yesterday.

International and economic devel-The Bank of England's quarterly report indicated that there were no substantial domestic inflationary pressures. Mr Richard Jeffrey, group economist at Charterhouse. the merchant bank, described the report as "reassuring" and said the danger for fund managers was in being underweight in a fast rising bid for South Wales Electricity. Such a move would establish the equity market.

Wall Street started very strongly with the Dow Jones Industrial Average more than 30 points ahead 90 minutes after the Londoo close. The biggest European stock markets, Frankfurt and Paris, also performed

The FT-SE 100 index continued on opments also proved supportive. its upward path, ending the trading session a net 14.7 higher at 3,537.1, for a three-day gain of 36.7, or just over 1 per cent.

Meanwhile, the junior FT-SE Mid 250 index was 15.2 ahead at 3,909.1, with the help of the day's bigges takeover story, the news that Welsh Water was considering launching a aecond regional ntility link-up in the UK. The first "super-utility", the bid from North West Water for Norweb, was unveiled last month.

Utilities continued to provide many of the outstanding performwith Thames Water leading the FT-SE 100 pack, followed closely by London Electricity and Scottish Power. South Wales Electricity topped the FT-SE Mid 250 table, with Yorkshire Electricity, East Midland and Northern Electric not far behind.

Dealers took the view that a bid for any of the remaining recs was a distinct possibility. Water shares, ers said a badly handled buying on Tuesday was worth £1.91bn.

had allowed Lyonnaise des Eaux, the French group, to proceed with a bid for Northumbrian Water, with certain conditions, all performed

very strongly. Helping to drive the market forward towards the close was a rumour that one of the UK's life assurers was about to attract the sitentions of a predator. The sector has been aggressively bought in recent weeks as bid talk circulated. London & Manchester was the stock being put forward as a likely target, although insurance special-

ists were generally sceptical. Trad-

A number of brokers were

said to have urged clients to

switch into Wolseley and out

of groups with a big stake in

the German economy, such as

RMC and Redland. Wolseley

also gained ground relative to

rival building materials group Caradon, hit recently by talk of

Takeover talk returned to

food manufacturing group Cad-

bury Schweppes, sending the

shares sharply ahead. By the close Cadbury shares had advanced 16 to 544p in trade of

4.2m, with Anglo-Dutch group

Unilever named as a possible

However, analysts remained

sceptical about the talk and

one said: "Unilever can afford

to buy Cadbury but I think it

has other things on its plate at

the moment so I cannot see it

making such a move." Unilever

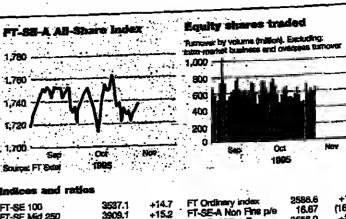
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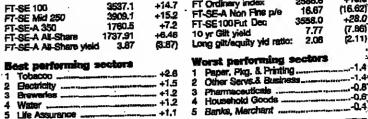
eased 5 to 1197p.

profits downgrades.

boosted by Tuesday's news that the Order had been responsible for the Department of Trade and Industry sudden upsurge in the London & sudden upsurge in the London & Manchester share price but, significantly, they said an offer for the group was entirely feasible.

The trading session commenced with marketmakers on the defensive after Wall Street's overnight decline, caused mainly by weakness in high-technology issues. Selling of the leading stocks was never any more than light, however, and news of excellent figures from companies such as BAT Industries and Scottish Power, plus the latest utilities bid, helped the market advance. Turnover at 6pm had reached 678.7m shares. Customer business





Open int.

### **Swalec** the new target

The market spotlight once again fell on the utilities as Welsh Water confirmed market speculation that it was considering a bid for South Wales Electricity (Swalec).

Welsh Water said it is "examining the case" for making a bid and any offer would be in the region of 1020p, valuing Swalec at around £950m. The takeover panel was said to have forced it to reveal its

The electricity group advised investors to take no action until Welsh Water clarifies its intentions, but market watchers said it was unlikely that the water group would hold back from confirming a bid.

Shares in Swalec, already strong on the bid talk, closed 70 ahead at 1058p, a 7 per cent gain that made it the best performing stock in the FT-SE Mid 250 index. Volume was 1.7m shares. In contrast, Welsb Water surreudered 30 to 724p in trade of 1.1m.

The word in the market is that Swalec is determined to stay independent and will mount a strong defence. One trader said: "Anyway, I.cannot see Swalec caving in at that suggested price. It can only be an opening shot."

An analyst commented: "A successful bid could result in common billing, customer contact and administration given the two companies have a common customer base."

A profits disappointment from KNP BT, of the Netherlands, cut a awathe through the paper stocks, pushing Arjo Wiggins to the bottom of tha

Footsie rankings and severely depressing David S. Smith. The Dutch paper leader, which trades in much the same sort of grades as Arjo and Smith, has been hit heavily by price weakness and destocking and its third-quarter results fell woefully short of analysts' estimates. Arjo dropped more than 7 per cent. In turnover which rose to a 14-month high

of 10m, the shares gained 17 at 211½p. Smith shed 9½ to 272p. News that Mr Andrew Teare will be the new chief executive at Rank Organisation cheered the market. The shares responded by rising 7 to 427p in trade of 6.6m.

Broker Collins Stewart is a bull of the stock and said, in a recent circular to investors. that it expects the City to nugrade 1996 profits expectations, following the group's trading statement next month. Mr Teare is moving from English China Clays, which dipped sharply following negative news from one of its biggest customers, the European paper industry. The shares fell 16 to 334p in 2.3m traded.

International stocks had a strong day with both BAT Industries and Hanson surging to the higher reaches of the Footsie performance charts. Strong third-quarter results.

plus hopes for corporate activity sometime next year, got behind BAT. Its quarterly profits came in comfortably above analysts' estimates, and the group was said to have made it clear at the results briefing that a financial services take-

over was on the cards sometime in 1996. The shares rose 14

to 547p. The upturn at Hanson - 3% higher at 196'Ap - was said to be a combination of dividend bopes plus an increasingly favourable perception of the group's recent £2.5bn purchase of Eastern Group.

Business support services group BET was again heavily dealt as a result of dividendrelated business. The shares lost 2 to 129p in trade of 17m. Turnover in electronics giant GEC surged to 22m, with three deals at between 314p and 315p accounting for 15m of the total. The stock put on 3 at 316p.

Building materials leader Wolseley rose strongly for the second day running, underpin-ned by switch advice plus upbeat forecasts for the US construction industry. The shares rose 6% to a new 1995 bigh of 416p, a two-day advance of almost 5 per cent.

cloud following profits down-FINANCIAL TIMES EQUITY INDICES

Nov 6 Nov 7 Nov 6 Nov 3 Nov 2 Yr ago "High "Low 2596.8 2576.6 2572.8 2584.8 2577.7 2378.6 2596.5 2238.3 4.10 4.12 4.12 4.14 4.12 4.95 4.73 4.02 15.61 15.54 15.51 15.43 15.52 18.31 21.33 15.35 15.42 15.36 15.32 15.35

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Nov. 6 'Data based on Equity shares listed on the London Share Service.

gradings earlier this week. The of the day. shares gave up another 31/2 to

485%p in trade of 6.9m Dealers reported more switching from the spirits and into other stocks in the drinks sector. Among those to benefit from such a switch was Bass. 11 better at 679p, and Scottish

& Newcastle, up 8 at 590p. A profits warning from chocolate products manufacturer and retailer Thorntons left the shares trailing 7 at 136p. Pumps leader Weir Group

retreated 7 to 226p on news of the threat to the privatisation of the Devonport dockyards. It was the group's second helping of bad news in two days, following Tuesday's profits down-

grade by BZW. The broker sliced back its profits estimates for seven cyclical engineering shares on the back of price weakness and de-stocking across Europe. It moved from hold to sell on three: Glynwed International, APV and Weir.

GKN closed 4 better at 805p ahead of yesterday's dinner for institutional investors hosted by Henderson Crosthwaite,

In the rest of the water sector, bid speculation continued to drive Northumbrian ahead. The shares gained another 19 to 1093p, with the dealers continuing to suggest that French group Lyonnaise des Eaux would announce a bid for Northumbrian today. The UK government cleared Lyonnaise's proposed takeover of Northumbrian on Tuesday.

The UK utility reports fig-ures today and the market expects the group to announce a sharp dividend increase of around 20 per cent. However, NatWest Securities

urged investors to reduce holdings in the stock, saying: "The share price is fully up with Elsewhere, Thames, a recent

underperformer, was in demand and the shares jumped 19 to 555p, making it the best performing Footsie constituent

FT - SE Actuaries Share Indices

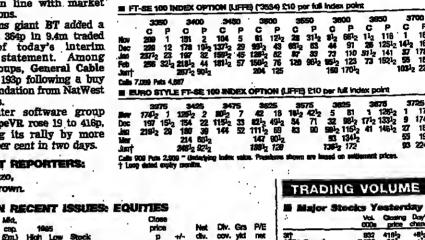
Among electricity stocks, takeover talk was behind a shap rise in London, up 24 at 946p. Northern moved ahead 23 to 935p and East Midland 25 to

Scottish Power rose 51/2 to 361p after reporting first-half figures in line with market expectations.

Telecoms giant BT added a penny at 354p in 9.4m traded ahead of today's interim results statement. Among cable groups, General Cable put 4 at 193p following a buy recommendation from NatWest

Computer software group SuperscapeVR rose 19 to 416p. extending its rally by more than 10 per cent in two days.

MARKET REPORTERS: Joel Kibazo, Jeffrey Brown.



FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (UFFE) \$25 per full index point

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Sett price - Change

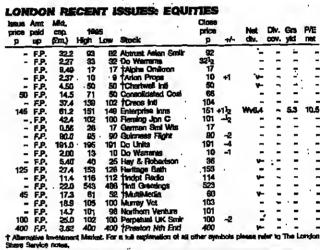
FT-SE MID 250 PROJEK PUTURES (LIFFE) 210 per full index point

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FT GOLD MINES INDEX												
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nt Regional Indices												
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Australasia (6)	2198.78	+0.8	2181,92	2697,17	2.28	24.A7	2733.56	1783.20				
North America (12)	1617.91	+1.6	1582.27	1616,65	0.83	46,45	1831.00	1345,18				

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We started by being different

Total Rises Total Falls

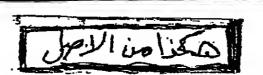


### and then continued in the exact same way.

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Deep-rooted Strength



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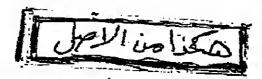
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| 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | Sime | Sime | Sime | Law | Last | Company | 0.30 | 18 | 372 | 35<sup>2</sup>2 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 35<sup>2</sup>4 | 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11<sup>1</sup>2 11 11<sup>1</sup>2 0.18 3 92 13<sup>1</sup>6 13<sup>1</sup>4 13<sup>1</sup>4 16 813 227<sub>8</sub> 22 225<sub>8</sub> +3<sub>8</sub> 1 114 13<sub>1</sub> 13<sub>2</sub> 13<sub>2</sub> 11 37 30<sup>3</sup>4 30<sup>3</sup>4 30<sup>3</sup>4 0.48 18 82 23<sup>3</sup>4 22<sup>7</sup>4 22<sup>7</sup>4 22<sup>7</sup>8 | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored | Restored 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### Tech stocks recoup losses at midsession

#### Wall Street

US share prices were higher in eerly trading yesterday as technology issues rebounded from Tuesday's losses. urites Lisa Bransten in New York.

At 1 pm the Nasdaq composite, weighted towards the technology sector, stood 7.73 firmer at 1.051.63, reversing part of Tuesday's 18.24 retreat. The Pacific Stock Exchange tech-nology index advanced 0.9 per

Microsoft, the largest company on the Nasdaq, moved up \$1 to \$94, recovering part of Tuesday's \$4% decline. Semicooductor shares -

which were among the hardest hit groups on Tuesday ~ were

Cirrus Logic gained \$1% at \$29%, bouncing up modestly from the loss of \$12% it registered on Tuesday, while Intel, the Nasdaq's second largest company slipped another \$35 to \$66 on the heels of Tues-

Interest in the internet helped spur some of the tech-

Latin America

Chile

Mexico

China\*

ndıa.

Indonesra!

Sn Lanka<sup>10</sup>

Jordan Poland<sup>e</sup>

Portugal South Africas

Zimbabwe<sup>x</sup>

NATIONAL AND REGIONAL MARKETS Figures in paveritheses show number of lines

France (100).

Europe Ex. UK (533)

The World Index (2266)....

Euro/Mid East

Venezuela<sup>3</sup>

South Korea

Taiwan, China

news that two software companies, Spyglass and Boriand International, had licensed Sun's Jave programming language, which can be used to create graphics for worldwide web sites on the internet.

Strength on the Nasdaq spilled over oo to other indices, elping the Dow Jones industrial Average rise 81.79 to 4,828.82. The Standard & Poor's 500 added 3.47 at 589.79 and the American Stock Exchange composite was 1.73 higher at 530.39. Volume on the New York Stock Exchange came to

200m shares. Shares of Columbia/HCA Healthcare dipped \$11/4 to \$49% after the healthcare service provider missed analysts' estimates of third-quarter earnings by 1 ceot a share. Columbia/ HCA reported profits, before one-off charges to restructure debt, of 61 cents a share, compared with estimates that it

would make 62 cents a share. American depositary receipts of Mexican companies were lower in New York as the peso continued to falter in currency trading. Grupo Televisa slipped

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

-12.2

% Change % Change over week on Dec '94

+0.9

at \$25% after lusacell, a mobile phone company, filed an antimonopoly complaint against the company.

Profit-taking in Toronto, following the market's recent strong rally, led to a gentle

The TSE 300 composite index was down 8.54 at 4,576.00 in volume of 14.3m shares, while weak stocks narrowly led the risers by 230 to 228.

High-technology issue Newbridge Networks fell C\$% to C\$48%, while BioChem Pharma dipped C\$2% to C\$49 following an early profits forecast down-grade by Smith Barney.

#### **SOUTH AFRICA**

Gold shares were lifted by a firmer bullion price which pulled the overall index higher, while industrials fell back following Tuesday's record high. The overall index added 41.3 at 5,973.3. industrials lost 25.8 at 7,652.7 and golds gained 45.5 or 3.6 per cent at 1,314.0.

% Change % Change over week on Dec '94

### KNP BT slides by 7% in Amsterdam

KNP BT was sold heavily in AMSTERDAM after releasing lower than expected thirdquarter profits. The shares of the paper and packaging group dived F18.20 or 7 per cent to Fl 42.10. Philips was also a loser on US selling, closing down Fl 1.70 or 2.9 per cent at Fl 58.70, as the AEX index dipped 0.86 to 451.31.

Unilever, due to announce its results today, slipped 70 cents to FI 202.30. PARIS gained slightly on

hopes that the Bank of France might ease interest rates today. However, some brokers warned that the bank was unlikely to act until it had sight of government measures to reduce social security spending, due out next week. The CAC-40 index moved up 8.98 to

In an assessment of the cabinet changes, Nikko Europe said yesterday that the moves marked "the start of a campaign to build support for the draconian social security measures which will be announced next week". However. Nikko felt thet any market confidence boost would be temporary: The reshuffle does not resolve the essential dichotomy between tight fiscal policy, the

weak economy and the need to

THE EUROPEAN SERVES 11.00 12.00 13.00 14.00 15.00 Close Hourly changes 1416.41 1415.32 1416.79 1528.33 1527.49 1628.56 FT-SE Euroback 100 1417.75 1416.81 1418.80 1417.63 1416.81 FT-SE Eurotrack 200 1527.90 1527.24 1527.00 1529.43 1529.02 Nov 1 1403.39 1515.16 1409.91 1524.27 1414.02 1525.45

support the franc fort policy." Carrefour was one of the few stocks to lose ground, falling FFr38 to FFr2,792, as investors worried about the effect oo earnings of falling sales in its Latin American operations. FRANKFURT benefited from

pre-bourse gains in bank stocks and DAX futures. The firm bunds and a stable dollar, but trading volumes were low. The DAX index hovered around 2,172 before finishing 9.78 up at an Ibis-indicated

2.184.05. Siemens, the electronics and engineering group, slipped DM4 but recovered on the Ibis to show a fall of only 80 pfgs at DM744 after announcing figures. The group said business volume fell DM7bn in 1994/95 due to currency shifts, rising costs and falling prices Volkswagen moved forward

firm earlier reports of the

which had declined on reports

of the merger, recovered Y20 to

Y1,790. Other banks were

Speculative stocks were

Y777 on reports of its gene

therapy, while Mitsui Mining

and Smelting put on Y9 at

Y378 on the gold price rise in

finished 36.78 down at 19,529.77

in volume of 43.6m shares.

In Osaka, the OSE average

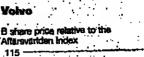
New York.

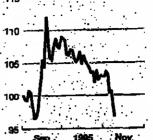
announced that group car deliveries in western Europe were ahead 12.3 per cent from the previous year. Bayerische Vareinsbank

improved 63 pfgs to DM40.20 in spite of a sell recommendation from Williams de Broë in London. It confirmed that it was holding talks with New Yorkbased investment bank Oppenheimer aimed at a possible "co-operation"

Deutsche Bank shunned a forecast downgrade. The shares rose DM1.70 to DM65.30 although DB Research cut its 1995 earnings per share estimate for the group to DM3.80 from DM4.22 because of expectations of an over-proportional rise in the bank's risk provi-sions in the fourth quarter. STOCKHOLM was disep-

pointed by a number of corpo-rate stories, with Volvo being





one of the main features. The vehicle manufacturer blamed its car divisioo for the fall tn profits. while currency exchange movements were also a factor. The group's B shares slipped to SKr139 before steadying to finish SKr5.50 or 3.7 per cent down at SKr140.50. The Affarsvärlden general index lost 11.5 to 1,701.5.

Source: FT Extel:

Another casualty Pharmacia, the Swedish division of the merged Pharmacia & Upjohn drugs group, which was reporting as a single unit for the last time.

The figures came in below expectations and the stock

MILAN continued Tuesday's technical rally, with the realtime Mibtel index moving ahead 75 to 9.345 and the Comit index 9 to 923. The market was pushed up

towards the close by a sharp rise in Fondiaris, the insurance company. Fondiaria's shares jumped 6 per cent or L475 on beavy turnover to L6,930. Dealers said that with the company's rights issue due to end today, and restructuring under way, there was specula-tion that Ferfin, which controls it, might be looking to sell Fondiaria as part of its restructuring. Generali slipped on fears it might have to launch a rights issue if it decided to acquire German insurer Vereinte Versicherung. In spite of a denial the shares shed L178 to

OSLO heard further rumours associated with Kvaerner ahead of its third-quarter results next week and the B stock lost NKr17 to NKr207. Brokers said that there were reports of job cuts in its anergy division. The Total index fell 5.50 to 702.88 in turnover of NKr471.3m.

Written and edited by Peter John

to be in demand, the sector's

index adding 54.71 at 4.895.12. MANILA ended below the

day's best after the index

touched its resistance of 2,500

in early trade. Investors wel-

.

prema according to the colors

editorese business and

### Mexico contends with rate rise

Mexico City declined sharply in early trading following a rise in domestic interest rates and renewed speculation about the peso. The IPC ndex was down 42.21 or 1.9 per cent at 2,213.79

Brokers said the increase in rates beightened worries that Mexico would need to offer even higher rates to attract investors worried about a further slide in the peso, higher inflation and a

SAO PAULO was off 1 per cent in light midday trade as the Mexican factor hit sentiment.

(101) (42) (114) (36) (19)

644.70

308.27

720.98

396.10 182.98

529,69

61.52 142.06

246.90 106.08

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250.32

243.52

187.08 462.34

119,10

Indices are calculated at end-work, and weeke changes are percentage movement from the province Friday, Base da which are, 1990; 1990; pilote 31 1992; (Rikan 5 1990; (Albox 31 1992; (Rikan 3 1992; (Rikan 4 1991; (Tillote 31 Dec 31 1992; (1100cc 31 1992; (1700cc 31 1992; (1300cc 31 1992; (1404cg 4 1993; (15)June 2 1993;

Africa represents the last frontier in the emerging markets universe, according to Fund Research, the independent group which collates data on international open-end and

South Africa dominates, with a market capitalisation of \$244bn, representing some 90 per cent of the total African capitalisation of 13 markets which are currently open to

foreign investors. "South Africa has become the largest single component of the IFC indices, representing 13.7 per cent of the IFCG composite and 24.3 per cent of the IFCI investable index in September," says the organisation. However, international investors appear to have been slow to respond and Fund Research has discovered that the average allocation in September was about 6 per cent of portfolios. This is partly a consequence of continuing worries about the political situation. "A further reason is the extreme concentration of the market into a few large convoluences and the poor

consequence of continuing worries about the pointical situation. A further reason is the extreme concentration in the market into a few large conglomerates, and the poor trading and liquidity conditions: market turnover last year was only 8 per cent of market capitalisation," says the company.

GT Management has launched an open-ended Africa fund which will diversify its investments across the continent to reduce portfolio risk. Listed on the Irish stock exchange, it will be capped initially at \$75m. Mr John Legat, fund manager, believes Africa is on the threshold of a new era. "Although South Africa dominates... it is

soft in the threshold of a new era. "Atthough south Africa dominates... It is important to remember that a number of the smaller African markets are of similar sizes and levels of development as those of Thailand, Argentina and Turkey in the late 1980s – today those countries are major emerging markets," he says. GT currently has approximately \$500m under management in African equities and bonds. The launch period for the new fund commences on November 13 and closes on November 17.

135.41 162.72 126.10 126.01 143.22 139.74 99.54 239.14 106 32 141.95 206 58 209.43 167.12 202.72 131.58 137.07 116.64 116.64 274.34 369.82

116.64 116.64 1274.4 369.82 182.47 215.04 52.53 64.90 103.84 494.33 641.21 7124.67 186.13 183.10 59.66 55.80 166.99 192.34 272.55 241.03 272.45 294.33 109.56 137.62 272.66 304.62

227.06 304.82 165.59 158.88 114.74 152.36

165.09 210.59

176.84 240.11

181.15 183.83 143.19 162.96 205.94 236.65 111.60 101.99 124.99 124.97 172.48 233.53 128.29 136.99 184.99 220.69 125.44 128.57 138.90 155.85

161.99 204.73

187.84 116.26 148.79 105.06 350.07 242.48 232.75 161.22 67.01 45.41 132.46 91.74 416.92 268.78 817.93 566.78 237.43 164.48 76.10 52.71 213.02 147.55 240.81 347.64 240.81 347.54 240.73 139.76 95.82

289 64 200 62 211,22 146,31 146,36 101,38 210,59 145,87

205.56 142.36 182.66 126.52 262.70 181.96 142.36 98.60 159.06 110.17 220.02 152.40 163.66 113.35

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FT/S&P ACTUARIES WORLD INDICES

..179.65

...81.00

.. 148.75

. \_181.70

The Bovespa index had fallen 416 to 40,697 in turnover of R\$87.7m (\$91.2m).

Among the early movers, Telebras preferred shares were off 1.3 per cent to R\$38.70 and Electrobras was down 0.7 per cent at R\$276. BUENOS AIRES turned back from a positive opening and by late morning the Merval index had lost a net 1.83 or 0.5 per cent at 397.78.

Early gains had been driven by YPF, which 2.6 per cent on the back of a strong advance in its ADRs on Wall Street, and Telecom, which appreciated 0.6 per cent.

395,423,91

1,206,33

2.067.41

144.09

384.93

279.29 715.28

183.06

The Nikkei 225 index was off 157.93 at 17,863.29 after fluctuating between 17,851.24 and 17,983.66. The Topix index of all first section stocks slipped 7.26 to 1,427.92 and the Nikkel 300

In London the ISE/Nikkei 50 index eased 0.09 to 1,201.68. Fears of a deteriorating supply and demand situation in the semiconductor market unnerved investors. Rising speculation that October's book to bill ratio, a measure of semiconductor market, would decline, depressed high-technology shares. However, traders noted that most of the selling came from brokerage dealers, while overseas investors, who were active buyers of the sector earlier in the year,

Some investors switched from high-technology issues to large-capital steels and shipbuilders. Mitsul Engineering and Shipbuilding was the day's volume rising to 26m shares. It surrendered Y6 to Y266 on profit-taking on short term

Daiwa Bank dropped Y80 to Y670 on anxieties over the impact of penalties on its earn-

### Nikkei easier as Hong Kong falls 1.7%

#### Tokyo

and the Nikkei average fell

relinguished 1.43 at 267.20.

Volume amounted to 389m unchanged

were absent from trading

ings. Investors were also dis-

| 119.80 | 135.37 | 182.40 | 191.01 | 167.95 | 170.29 | 126.53 | 128.53 | 189.28 | 167.43 | 183.54 | 183.54 | 183.54 | 183.54 | 183.54 | 183.54 | 183.54 | 183.55 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.56 | 183.57 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 171.13 | 190.92 | 190.92 | 190.92 | 190.92 | 190.92 | 190.92 | 190.92 | 190.92 | 190.92 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 190.93 | 1

153.20 184.55 -130.15

198,91 224.77 148.04 165.02 101.82 115.05

219.61 208.08 142.81 181.37 184.45 220.86 193.86 181.91 126.07 142.45 162.33 199.02 278.86 261.65 181.34 204.91 238.31 295.02 151.73 142.38 98.67 111.50 101.94 171.87 169.20 158.76 110.03 124.33 124.77 178.33 235.01 220.52 152.82 172.96 234.30 235.01 173.45 162.75 112.79 127.45 138.23 176.46 282.34 238.78 164.08 185.43 221.36 286.72 170.25 159.75 110.71 125.10 128.36 178.73 188.83 177.18 122.79 138.75 155.95 181.32

143.18 161.80

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191.91 160.07 124.79 141.02 160.72 184.25 165.92 176.96

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184.2 172.87
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281.25 263.90
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136.53 147.46 138.37
305.88 287.02
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0.0 2.30

-0.3 0.4 0.1 -0.1 0.2 -0.3 0.5 -0.3 0.1 -0.1

### couraged by comments earlier this week which failed to con-

bank's possible merger with Sumitomo Bank. The latter, A decline on Wall Street led by high-technology stocks depressed investor confidence. back, writes Emiko Terazono in

mixed, with Industrial Bank of Janan down Y20 to Y2,800 and Mitsubishi Bank up Y20 to actively traded, with Takara Shuzo off Y30 to Y1,020 but Taito Y32 higher at Y890. Green Cross jumped Y100 to

shares, against Tuesday's 355m. Some 22,000 shares were sold by arbitrageurs in the morning session. While overseas and corporate investors retreated to the sidelines, individuals focused on speculative favourites. Declining issues outpaced advances by 641 to 372, with 171 stocks remaining

Fujitsu feli Y30 to Y1.190 and NEC declined Y20 to Y1.370. Sony lost Y160 to Y4,660 as about the fire at the company's Koriyama plant, where lithium ion batteries are produced.

trading by individuals and dealers.

#### Roundup

HONG KONG was sharply lower on disappointing corporate news. The Hang Seng index receded 169.96 or 1.75 per cent to 9,562.45 in HK\$3.8bn

The worst casualties were New World Davelopment, China Light, and Hongkong Telecom, with the shares down 55 cents, HK\$1.10 and 25 cents respectively to HK\$28.25, HK\$1.10 and HK\$12.95.

Sun Hung Kai Properties. which went ex-dividend and fell 45 cents to HK\$59.75, also dragged the market down. The index monitoring the 17

listed mainland China companies slid 2.3 per cent to 772.90. SHANGHAI'S A index fell heavily after the anthorities

nies would list a total of 51m shares next week. The index shed 2.5 per cent to 741.731 in volume of 348.4m shares valued at Yn1.7bn.

The B index ended down for

the sixth consecutive session on continued beavy selling in Shanghai Diesel Engine. The index lost 2.2 per cent to 51.544. SEOUL continued to be pressured by the investigation into leading business groups in con-nection with slush funds used by ex-president Roh Tae-woo.

The composite index ended 6.88 lower at 980.84 after hitting a day's high of 990.67. Samsung Electronics shed Won1,500 to Won169,500, LG Electronics lost Won200 to Won31,700 and Hyundai Motor

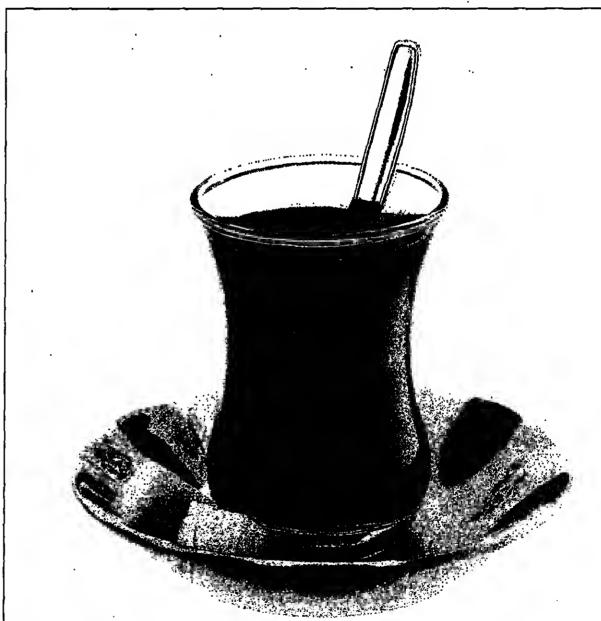
fell Won200 to Won41.500

Insurance issues continued

comed the 41 per cent rise in net profits for the first nine months from Philippine Long Distance Telephone, up 30 pesos et 1,500. The composite index rose 15.07 to 2,481.94. SINGAPORE's Straits Times Industrial index made 11.88 at 2.101.48 in turnover of S\$268m.

with small-capital stocks continuing to benefit from speculative retail buying.

TAIPEI weakened in light turnover and the weighted index slipped 51.49 or 1 per cent to 4,773.70. BANGKOK saw heavy selling of blue chips and the SET index declined 1.5 per cent to 1,222.75.



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rutional investor interested in the Turkish market, a Japanese manufacturer making a long term investment in Turkey or a European trade company doing business bere, you surely will like the way we serve the tea. Just like our

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sense. At a time when economic turmoil precluded Turkish institutions from access to international credit markets, als to Standard and Poor's. We are also Garanti Bank sigoed a \$300 million EuroCommercial Paper Programme, renewed a two-year syndicated loan facility for DM 120 million and finalized a seven-year \$100 million face value securitization of future credit card receivables. Our paid-in share capital is

in Turkey. We are the only private bank in Turkey to disclose our financithe only multibranch bank in Turkey to receive a long-term "A" rating by Capital Intelligence for two years running.

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